UNIVERSITY of WASHINGTON

2021 FINANCIAL REPORT

Table of Contents

University Facts

	FISCAL YEAR 2021 Academic Year 2020-2021	FISCAL YEAR 2016 Academic Year 2015-2016	FISCAL YEAR 2011 Academic Year 2010-2011
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	43,069	40,163	35,615
Graduate	15,148	13,595	12,389
Professional	2,201	2,009	1,936
TOTAL	**60,418**	**55,767**	**49,940**
Professional and Continuing Education - Course and Conference Registrations	68,653	78,426	64,961
Number of Degrees Awarded			
Bachelor's	11,821	10,589	9,325
Master's	4,920	4,072	3,524
Doctoral	870	803	723
Professional	628	518	528
TOTAL	**18,239**	**15,982**	**14,100**
FACULTY[1]	5,204	4,703	4,235
FACULTY AND STAFF[2]	30,928	28,910	25,143
RESEARCH FUNDING - ALL SOURCES *(in thousands of dollars)*	$ 1,890,274	$ 1,367,366	$ 1,396,435
SELECTED REVENUES *(in thousands of dollars)*			
Medical Centers and Related Revenues[3]	$ 3,185,974	$ 2,459,792	$ 1,385,522
Gifts, Grants and Contracts	1,833,394	1,457,142	1,445,628
Tuition and Fees[4]	1,032,697	948,751	594,915
Auxiliary Enterprises and Other Revenues	836,694	623,438	393,850
State Operating Appropriations	480,826	302,097	296,769
Investment Income	1,341,974	44,877	394,670
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related[3]	$ 2,476,472	$ 2,152,161	$ 1,160,595
Instruction, Academic Support, and Student Services	2,205,548	1,772,651	1,335,158
Institutional Support and Physical Plant	940,900	830,617	569,618
Research and Public Service	908,679	790,218	821,081
Auxiliary Enterprises	517,531	422,474	169,876
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$ 4,712,000	$ 2,968,000	$ 2,154,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	29,208	23,129	21,655

1. Prior to 2018, this number represents headcount for core faculty (Professorial, Instructional and Research). Starting in 2018, this number represents full time faculty from all campuses including the Medical Centers.
2. Full time equivalents – restated (historically) using centralized data source and enterprise definitions
3. Includes Valley Medical Center in 2021 and 2016 only
4. Net of scholarship allowances of $230.9 million in 2021, $144.5 million in 2016 and $91.4 million in 2011
5. Stated at fair value
6. Gross square footage, all campuses

KPMG LLP
Suite 2900
1918 Eighth Avenue
Seattle, WA 98101

Independent Auditors' Report

The Board of Regents
University of Washington:

We have audited the accompanying financial statements of the business-type activities, fiduciary activities, and the discretely presented component unit of the University of Washington (the University), which comprise the statements of net position and statements of fiduciary net position as of June 30, 2021 and 2020, and the related statements of revenues, expenses and changes in net position, statements of changes in fiduciary net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the University's basic financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the fiduciary activities, and the discretely presented component unit of the University of Washington, as of June 30, 2021 and 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matters

As discussed in note 1 to the financial statements, the financial statements of the University of Washington, an agency of the state of Washington, are intended to present the financial position, the changes in financial position and, where applicable, cash flows of only the respective portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the state of Washington that are attributable to the transactions of the University of Washington and its discretely presented component unit. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2021 and 2020, the changes in its financial position, or, where applicable, its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles. Our opinion is not modified with respect to this matter.

As discussed in note 1 to the financial statements, on July 1, 2020, the University adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, which has resulted in the presentation of a statement of fiduciary net position, a statement of changes in fiduciary net position, and the restatement of net position as of July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that management's discussion and analysis on pages 3 through 18, and the schedules of required supplementary information on pages 73 through 78, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

KPMG LLP

Seattle, Washington
October 28, 2021

MANAGEMENT'S DISCUSSION & ANALYSIS

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington ("University") for the fiscal years ended June 30, 2021 and 2020, with comparative financial information for 2019. This discussion has been prepared by management, and since it includes highly summarized data, should be read in conjunction with the financial statements and accompanying notes to financial statements that follow this section.

Financial Highlights for Fiscal Year 2021

The University recorded a $2,002 million increase in net position in 2021 compared to an increase of $345 million in 2020. The 2021 operating loss decreased $438 million over the prior year, as growth in revenues and an accompanying reduction in expense reflected continued, albeit more favorable, impacts on earnings from the Novel coronavirus (COVID-19) pandemic. Nonoperating and other revenues increased during the year, benefiting from support provided by federal and state sources related to COVID-19 and a significant improvement in the University's investment income.

Key Financial Results

(in millions)	2021	2020	2019
Total operating revenues	$ 5,842	$ 5,503	$ 5,485
Total operating expenses	6,248	6,347	6,064
Operating loss	(406)	(844)	(579)
State appropriations	481	415	379
Gifts	215	220	166
Investment income	1,342	209	340
Other nonoperating revenues, net	370	345	175
Increase in net position	2,002	345	481
Net position, beginning of year	5,907	5,578	5,097
Cumulative effect of accounting changes (described below):			
GASB 84 - Fiduciary Activities	—	(16)	—
Net position, beginning of year as restated	5,907	5,562	5,097
Net position, end of year	**$ 7,909**	**$ 5,907**	**$ 5,578**

Operating Revenues

Operating revenues increased $339 million, or 6.1%, in 2021. Revenue from patient services increased $115 million as fewer non-emergent and elective procedures were cancelled during the year due to the COVID pandemic compared to 2020, resulting in higher volumes and revenue. Grant and contract revenue recorded another strong year, increasing $75 million, or 5%, over 2020. Sales and services of educational departments increased $180 million due to School of Medicine programs, primarily Lab Medicine - Pathology, which saw a significant increase in COVID-19 testing activities. Other operating revenue increased $117 million, due to continued strong contract pharmacy revenues. These were offset by a decrease in revenue from student tuition and fees, which decreased $25 million reflecting higher student financial aid offsets from federally provided COVID relief, a decrease in Housing and Food Services revenues of $43 million due to impacts from the pandemic on demand for student housing and retail operations, and lower revenues from sports programs due to the cancellation of in-person events during the year.

Operating Expenses

Operating expenses decreased $99 million, or (2)%, in 2021. Staff salaries and benefits decreased $134 million during the year, primarily reflecting cost control measures implemented as a result of the COVID pandemic and changes in actuarial assumptions used to value the University's pension obligations. A $90 million increase in supplies and materials, primarily associated with medical and pharmaceutical operations, was offset by a $49 million decrease in purchased services such as travel due to the impact of the pandemic on University operations.

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital-related debt, increased $1,219 million, or 103%, in 2021. Investment income was the primary driver, increasing $1,133 million, or 542%, in 2021 due to a rebound in investment returns on the University's endowment and operating funds. State operating appropriations increased $66 million, driven by $49 million of COVID-19 support received during the year. Similarly, other nonoperating revenues increased $31 million, driven by an increase of $40 million in federal stimulus provided to the University under the CARES Act (described below). Current use, capital and endowed gifts decreased a combined $120 million during the year, primarily due to $125 million received in 2020 from the Bill & Melinda Gates Foundation to support the Population Health Initiative.

COVID-19

The COVID-19 pandemic has had widespread impacts on societal and economic conditions at a local, national and global level, and has had a significant impact on the University's operations. In February, 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address coronavirus in Washington and the forecasted potential surge of COVID-19 patients. In March, 2020, President Trump declared a national state of emergency with respect to the COVID-19 outbreak, ordering all states to establish emergency operations and authorizing the use of federal funds. Both the national state of emergency and the Washington state of emergency continued throughout fiscal year 2021.

Mandates from the Governor between March and May, 2020, required the cancellation or postponement of all non-emergent and elective clinical procedures. Those mandates had a significant impact on patient volumes and revenues during fiscal year 2020. The Governor's "Stay Home, Stay Healthy" proclamation required individuals to stay home except for essential activities. As a result, University courses shifted to remote instruction and remained remote throughout the rest of the 2020-2021 academic year except for specific exceptions. Online course delivery resulted in many students opting to discontinue living on campus, impacting University residential and retail operations. Revenue from gate ticket sales and NCAA/conference distributions were also negatively impacted due to the inability to host fans at events throughout the year, and the cancellation of football games across the PAC-12.

Financial and liquidity support from federal and state sources to address the impacts from COVID-19 during fiscal years 2020 and 2021 took the following forms:

Medicare Advance Payment Program - During fiscal year 2020, the University requested and received approval for six months of advance Medicare payments under the Centers for Medicare and Medicaid Services (CMS) Medicare Advanced Payment Program (MAPP). As a result, the University received $125 million in April and May of 2020. The advance Medicare funds will be recovered by Medicare by offsetting paid claims until the full amount is recouped. These recoveries began one year after the advance payment was issued. The University has up to twenty-nine months from the date of the advance payment to repay the balance. Medicare recouped $17 million of these advance payments during fiscal year 2021 through claims for services. This advance is recorded as "long-term liabilities" in the accompanying Statements of Net Position as of June 30, 2021, and as "unearned revenues" as of June 30, 2020. The change in presentation resulted from guidance issued in September, 2020, which extended the repayment period for the advance.

CARES Act Provider Relief Fund - The Federal Government passed the Coronavirus Aid, Relief and Economic Security (CARES Act) in March 2020. The Provider Relief Fund payments are intended to assist with lost revenues associated with lower patient volumes, and cancelled procedures and services due to COVID-19. Provider relief funds consisted of both general and targeted distributions. The University received both types of distributions totaling $35 million and $66 million during the fiscal years ended June 30, 2021 and 2020, respectively. The University has recognized this funding as "other nonoperating revenues" on the Statements of Revenues, Expenses and Changes in Net Position.

CARES Act HEERF - Under the CARES Act, the University became eligible for approximately $40 million in grant funding during 2020 via the Higher Education Emergency Relief Fund (HEERF I). Half of this amount was to assist eligible students impacted by on-campus financial disruption (student aid portion) with the other half used to cover costs associated with significant changes to the delivery of instruction (institutional portion) due to COVID-19. The Higher Education Emergency Relief Fund II (HEERF II), authorized by the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) signed into law in December, 2020, awarded the University $60 million in student financial aid and institutional support. Lastly, the Higher Education Emergency Relief Fund III (HEERF III), authorized by the American Rescue Plan signed into law in March, 2021, awarded the University $106 million in student financial aid and institutional support. As a result of HEERF I, II and III, $18 million was distributed to students in fiscal year 2020 and $50 million in fiscal year 2021, with $26 million left to be drawn and distributed in fiscal year 2022. Similarly, $4 million of institutional support was distributed by the University in fiscal year 2020 and $43 million in fiscal year 2021, with $66 million left to be drawn and distributed. The largest recipient of the institutional support funds has been the University's Housing and Food Services auxiliary operation, to cover expenditures that would otherwise have been funded by housing and dining revenues which were impacted by the pandemic. These distributions have been recognized as "other nonoperating revenues" on the Statements of Revenues, Expenses and Changes in Net Position.

CARES Act FICA Deferral - The CARES Act provides that employers may elect to defer payment of the employer's share of social security taxes through December 31, 2020. Of these deferred payments, 50% must be paid by December, 2021, with the remainder paid by December, 2022. As a result, $113 million and $31 million have been deferred by the University as of June 30, 2021 and 2020, respectively, and are shown as "long-term liabilities" on the Statements of Net Position.

CARES Act Paycheck Protection Program - Also as part of the CARES Act, the federal government enacted a loan program called the Paycheck Protection Program (PPP) for eligible businesses with 500 or fewer employees. Eligible businesses are able to apply for a loan of up to 2.5 times the average monthly payroll expense of the business. The interest on PPP loans is deferred for the first six months of the loan, with an interest rate of 1% after the deferral period. UW Neighborhood Clinics applied for and was granted a loan of $5 million which is recorded as "long-term liabilities" on the University's Statements of Net Position as of June 30, 2021 and 2020.

FEMA Public Assistance Program - During fiscal year 2020, the University applied for an $85 million grant from the Federal Emergency Management Agency (FEMA) Public Assistance program via the expedited funding channel, which enabled partial funding of estimated eligible expenditures up front, with a 25% state cost share requirement. The University received an expedited payment from the grant program of $32 million in fiscal year 2020 to help defray certain costs incurred as part of the University's response to COVID-19. These amounts are reported as "unearned revenues" in the accompanying Statements of Net Position.

State Appropriations - The state of Washington has appropriated emergency funding to the University in response to the COVID-19 pandemic. $61 million was appropriated in fiscal year 2020 for the purposes of expanding lab capacity for COVID-19 testing, procuring medical supplies and equipment, sanitizing facilities and equipment, and providing information to the public. In fiscal year 2021 the University was awarded an additional appropriation of $35 million to partially cover revenues from clinical operations that were lost as a result of the pandemic and not covered by other funding. As a result, $49 million and $8 million have been drawn and reported as "state appropriations" in the University's Statements of Revenues, Expenses and Changes in Net Position during the fiscal years ended June 30, 2021 and 2020, respectively. $40 million remains to be recognized in future fiscal years.

In total, the University recognized revenue of $175 million and $95 million in fiscal years 2021 and 2020, respectively, in relation to COVID-19 support. These amounts exclude amounts received by the University's discrete component unit, Valley Medical Center.

Changes in Accounting Standards

The University implemented Governmental Accounting Standards Board (GASB) Statement No. 83, "Certain Asset Retirement Obligations" during fiscal year 2019. An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset. Governments that have legal obligations to perform future tangible asset retirement activities are now required to recognize a liability and offsetting deferred outflow of resources when these costs are incurred and are reasonably estimable. The University's 2015 Decommissioning Funding Plan, prepared in accordance with Washington Administrative Code 246-235-075, estimated disposal and clean-up costs related to all radioactive materials used for research, clinical applications, and education and was used as the basis for recording the initial ARO liability. Prior to implementing this Statement, the University's financial statements did not reflect any ARO liability or associated deferred outflow, and reported costs associated with these retirement activities as expense at the time of asset disposal.

The University implemented GASB Statement No. 84, "Fiduciary Activities" during fiscal year 2021. This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. To reflect the changes resulting from this implementation the University has added the Statements of Fiduciary Net Position and Statements of Changes in Fiduciary Net Position. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statements of Cash Flows for the fiscal year ending June 30, 2020 have been restated to conform with this Statement and current year presentation. In addition to the reporting changes described above, net position was restated at July 1, 2019 by a decrease of $15.9 million.

The University also implemented GASB Statement No. 92, "Omnibus 2020" during fiscal year 2021. This Statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's post-retirement benefit plan, reporting of post-employment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' post-employment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. Implementation of this Statement did not have a material impact on the University's financial statements.

Change in Accounting Estimate

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington 41.50.075. As a result, the applicable accounting guidance for the UWSRP has changed to GASB codification section P20 "Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria." This event gives rise to a change in the University's estimates of future obligations, deferrals and pension expense related to the UWSRP. Specifically, $61.0 million of contributions paid to the state in prior years and recognized as expense have been attributed to the University by the state and reported as "capital grants, gifts and other" on the Statements of Revenues, Expenses and Changes in Net Position for fiscal year 2021. The University will now report the plan's net pension liability (total pension liability less the plan's fiduciary net position). Prior to this change in estimate the University reported the plan's total pension liability. In addition, under GASB section P20 the discount rate used to value the ending liability has changed to the expected investment return on plan assets. As such, the University has changed from using the Bond Buyer's 20 Bond Index (2.21% for the fiscal year 2020 liability) to using the expected investment return on plan assets (7.40% for the fiscal year 2021 liability).

Using the Financial Statements

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

- Independent Auditors' Report presents an unmodified opinion prepared by the University's auditors, KPMG LLP.

- Statements of Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and net position of the University at a point in time (June 30, 2021 and 2020). Their purpose is to present a financial snapshot of the University. This statement aids the reader in determining the assets available to continue the University's operations, how much the University owes to employees and vendors, whether the University has any deferred outflows or inflows other than assets or liabilities, and provides a picture of net position and its availability for expenditure by the University.
- Statements of Revenues, Expenses and Changes in Net Position present the total revenues earned and expenses incurred by the University for operating, nonoperating and other related activities, during a period of time (the fiscal years ended June 30, 2021 and 2020). Their purpose is to assess the University's operating and nonoperating activities.
- Statements of Cash Flows present cash receipts and payments of the University during a period of time (the fiscal years ended June 30, 2021 and 2020). Their purpose is to assess the University's ability to generate net cash flows and meet its obligations as they come due.
- Statements of Fiduciary Net Position present the assets and deferred outflows of resources, liabilities and deferred inflows of resources, and fiduciary net position of the University's custodial funds at a point in time (June 30, 2021 and 2020).
- Statements of Changes in Fiduciary Net Position present the additions and deductions from the University's custodial funds during a period of time (the fiscal years ended June 30, 2021 and 2020).
- Notes to the Financial Statements present additional information to support the financial statements. Their purpose is to clarify and expand on the information in the financial statements. Notes are referenced in this discussion to indicate where details of the financial highlights may be found.

The University has had a strategic alliance with Valley Medical Center, a Washington public hospital district, since 2011. GASB standards require that this entity be presented as a discrete component unit of the University since it has a separate board of trustees, it does not provide services exclusively to the University, and it is not a nonprofit corporation of which the University is the sole corporate member; therefore, its financial position at June 30, 2021 and 2020, and results of operations for the fiscal years ended June 30, 2021 and 2020, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements). The analysis that follows includes the consolidated balances of the University of Washington and its blended component units, but excludes the financial position and results of operations of Valley Medical Center.

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2021, 2020 and 2019 is shown below:

Summarized Statements of Net Position

(in millions)	2021	2020	2019
Current assets	$ 2,706	$ 2,030	$ 1,574
Noncurrent assets:			
Capital assets, net	4,976	4,972	4,935
Investments, net of current portion	6,764	5,516	5,375
Other	632	567	525
Total assets	15,078	13,085	12,409
Deferred outflows	742	639	414
Total assets and deferred outflows	15,820	13,724	12,823
Current liabilities	1,623	1,488	1,166
Noncurrent liabilities:			
Bonds payable	2,378	2,395	2,353
Pensions and OPEB	2,256	2,740	2,498
Other	476	359	335
Total liabilities	6,733	6,982	6,352
Deferred inflows	1,178	835	893
Total liabilities and deferred inflows	7,911	7,817	7,245
Net position	**$ 7,909**	**$ 5,907**	**$ 5,578**

Current assets include those that may be used to support current operations, and consist primarily of cash and cash equivalents, short-term investments and accounts receivable. Current liabilities generally are due and payable over the course of the following fiscal year, and include accounts payable and other accrued liabilities, unearned revenues, and the current portion of long-term liabilities such as debt. The excess of current assets over current liabilities of $1,083 million in 2021, and $542 million in 2020, reflects the continuing ability of the University to meet its short-term obligations.

Current assets increased $676 million, or 33%, in 2021, driven by a $365 million increase in short-term investments resulting from a recovery in market values for the University's short term investments. Accounts receivable, net of allowances, also increased $312 million during the year, reflecting $98 million growth in gross patient services receivables, $77 million growth in the receivable for pending investment sales, and a $63 million increase in receivables from sales and services of educational departments (primarily Lab Medicine). Current assets increased $456 million, or 29%, in 2020. Amounts received from federal and state sources pertaining to COVID-19 support drove a $383 million increase in short-term investments. Likewise, a focus on conserving operating

Unaudited – see accompanying notes to financial statements

cash balances to protect liquidity in light of COVID-19 contributed to an increase of $58 million in cash and cash equivalents.

Current liabilities increased $135 million, or 9%, in 2021. The current portion of long-term liabilities increased $151 million, driven by upcoming recoupment of amounts received for the Medicare Advance Payment Program, and payment of social security taxes deferred according to the CARES Act FICA Deferral. In addition, an increase in other current liabilities of $25 million reflecting commercial paper debt was offset by a reduction in unearned revenues of $49 million associated with funds received in response to the COVID-19 pandemic. Current liabilities increased $322 million, or 28%, in 2020. Accounts payable and accrued liabilities increased $213 million during the year primarily driven by a $160 million increase in pending investment purchases compared to the prior year, and a $38 million increase in the liability for accrued annual leave due to impact from the pandemic on employee travel and vacation plans. A $174 million increase in unearned revenues also contributed to the year over year change, and was primarily attributable to amounts received by the University related to COVID-19 support from the Medicare Advance Payment Program and the FEMA Public Assistance Program.

Noncurrent assets increased $1,317 million, or 12%, in 2021 primarily due to a $1,248 million increase in the market value of the University's long-term investments, combined with a $51 million increase in the value of the University's equity interest in the Seattle Cancer Care Alliance. Noncurrent assets increased $220 million, or 2%, in 2020 primarily due to a $195 million increase in the market value of the University's long-term investments, combined with a $25 million increase in the value of the University's equity interest in the Seattle Cancer Care Alliance.

Noncurrent liabilities decreased $384 million, or 7%, in 2021. Pension liabilities decreased $638 million, driven by a $655 million reduction in the UWSRP portion resulting from favorable experience compared to actuarial assumptions, an increase in the discount rate used to value the ending liability, and recognition of prior and current year pension contributions as an offset to the total pension liability (see note 16). This was offset by an increase in the University's Other Post Employment Benefits (OPEB) liability of $154 million, primarily reflecting an increase in the University's proportionate share of the statewide plan, and an increase in long-term liabilities, net of current portion, of $103 million primarily reflecting the change in presentation of long-term portion of the Medicare advance payments. Noncurrent liabilities increased $308 million, or 6%, in 2020. Pension and OPEB liabilities increased $242 million, reflecting the impact of lower end of year discount rates used in the associated actuarial valuations. Other contributing factors were a $32 million net increase in general revenue bonds outstanding (new issuances less principal payments) and $31 million of social security payments owed but unpaid at year end through the CARES Act FICA tax deferral.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and OPEB-related deferrals, and the University's remainder interest in split-interest agreements. The increase in deferred outflows of $103 million, or 16%, in 2021 primarily pertains to OPEB, which experienced an $89 million increase in deferred outflows due to an increase in the University's proportionate share of the state's overall plan results, and a decrease in the discount rate used to value the total ending liability. The increase in deferred outflows of $225 million, or 54%, in 2020 primarily pertains to the UWSRP and OPEB plans. UWSRP deferred outflows increased $117 million, and OPEB deferred outflows increased $85 million, due to a decrease in the discount rates used to value the respective ending liabilities.

Deferred inflows increased $343 million, or 41%, in 2021, primarily due to increases in the UWSRP portion resulting from better than expected returns on CREF investments and an increase in the discount rate used to value the ending liability. These were offset by a reduction in pension deferred inflows resulting from amortization of amounts recorded in prior years. Deferred inflows decreased $58 million, or 6%, in 2020, primarily due to a $66 million reduction in OPEB deferred inflows resulting from amortization of amounts recorded in prior years.

Endowment and Other Investments

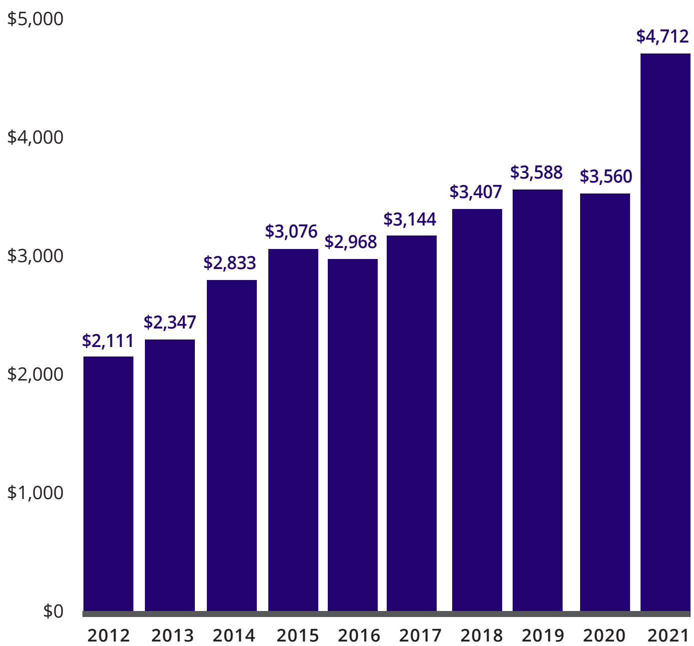
Investment returns provide an important source of revenue for the University's programs. Among the funds invested by the University are endowments, operating reserves, life income trusts, annuities and gifts.

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

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

The CEF has experienced considerable growth over the past decade due to endowment gifts and investment returns. The number of individual endowments in the CEF has grown significantly, from 3,782 at June 30, 2012 to 5,411 at June 30, 2021. The market value of the CEF has similarly increased, from $2.1 billion at June 30, 2012 to $4.7 billion at June 30, 2021.

Consolidated Endowment Fund Market Value
(in millions)



The impact to program support has been substantial with $1.1 billion 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.

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units, starting with a 4.9% spending rate in fiscal year 2020 and then 4.7% in fiscal year 2021. Quarterly distributions to programs are based on an annual percentage rate of 3.76%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.94% supporting campus-wide fundraising and stewardship activities (0.752%) and offsetting the internal cost of managing endowment assets (0.188%). The spending rate reduction to 4.5% will be in full effect for fiscal year 2022 and beyond.

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

The CEF asset allocation is divided into two clearly defined categories of investments: those which facilitate growth or appreciation (Capital Appreciation), and those which preserve endowment values (Capital Preservation). At June 30, 2021, 76% of the CEF was invested in Capital Appreciation and 24% in Capital Preservation. Following an expectation that market returns for equities will exceed bonds over the next decade, a medium-term objective is maintained of generally overweighting equity-oriented strategies with a focus on quality companies and downside protection. This is consistent with the CEF policy change approved by the Board of Regents in May, 2021 to shift from a 70/30 to a 75/25 (Capital Appreciation/Capital Preservation) policy target, phased in over a three-year period. 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, 2021, the CEF returned +35.1% versus +26.0% for the passive benchmark. The CEF's Private Equity strategy led absolute returns this year. Public markets rebounded strongly after bottoming in Spring 2020 during the onset of COVID-19. The CEF's Emerging Markets, especially China, and Developed Markets value and small cap managers recovered from a challenging fiscal year 2020. Capital Preservation strategies also outperformed despite government bonds posting a slightly negative return due to rising interest rates.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2021, these funds comprise $812 million of the CEF market value.

Capital Improvements

The University continues to expand its campuses, invest in information technology and renovate existing facilities to meet the needs of its students, patients, faculty and staff. Significant capital asset expenditures (greater than $20 million) during fiscal year 2021 included $34 million for construction of the Health Sciences Education Building, and $22 million for construction of Founders Hall (to replace Mackenzie Hall).

Key projects placed in service during fiscal year 2021 include:

- Hans Rosling Center for Population Health (Rosling Center) - $210 million. Made possible by a $210 million gift from the Bill & Melinda Gates Foundation in 2016 as well as funding from the state of Washington and the University, the Rosling Center will house the UW Department of Global Health, the Institute for Health Metrics & Evaluation (IHME), parts of the UW School of Public Health and the offices of the Population Health Initiative. With spaces for collaborative group work, active learning, offices and training for global partners and multidisciplinary work in population health across the University, the Rosling Center will be a hub for addressing critical issues like poverty, equity, healthcare access, climate change and government policy.

- Oak Hall - $56 million. As the newest residence hall in North Campus, Oak Hall provides 300 new student beds, a 4,000 square foot multipurpose space for studying and socializing, and a market and cafe similar to the District Market on West Campus.
- Kincaid Hall Psychology Renovation - $43 million. The Kincaid renovation project extends the useful life of a central campus building, consolidates and provides a permanent location for Psychology Clinics and Research Labs, creates office space for Biology administrative staff and consolidates Psychology faculty located in other buildings.
- Parrington Hall Renovation - $23 million. This project upgrades mechanical, electrical, information technology and lighting systems, and modernizes Parrington Hall to current University facility educational standards.

See note 9 for additional information regarding capital asset activity.

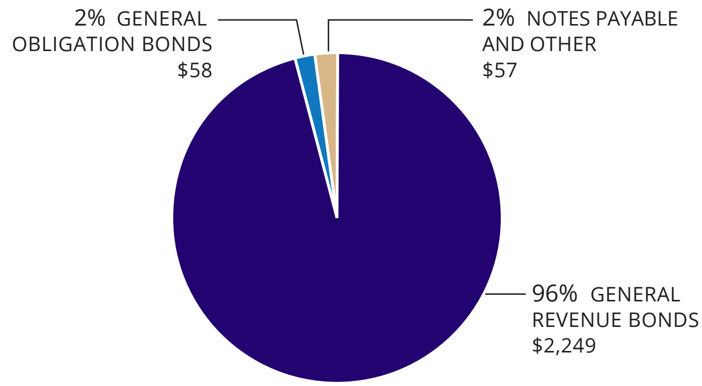
Debt

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

The University's debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds, Lease Revenue Bonds and state-issued General Obligation Bonds. As of June 30, 2021, the University had $2.4 billion of bonds and notes payable outstanding, an increase of 0.6% from June 30, 2020. Debt outstanding on the Metropolitan Tract is not included in these amounts (see note 8).

Bonds and Notes Payable

(in millions)



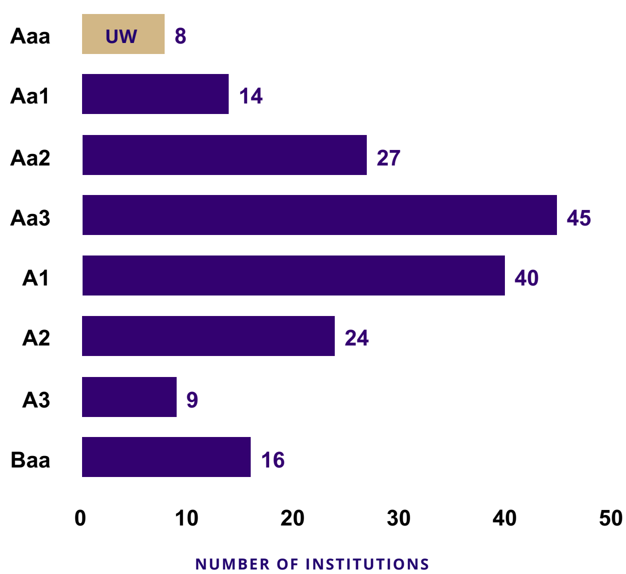
In March 2021, the University issued $77 million of tax-exempt General Revenue and Refunding bonds with an all-in true interest cost of 2.33% and $249 million of taxable General Revenue and Refunding bonds with an all-in true interest cost of 2.13%. Proceeds were used to fund various projects including UW Medicine clinical transformation program "Destination: One", the construction of the Childbirth Center at UW Medical Center Northwest Campus, and the Kincaid Hall renovation. Additionally, the University closed $118 million of tax-exempt General Revenue Refunding Bonds (Delayed Delivery Bonds) issued to refund callable 2011A bonds and achieve debt service savings. The all-in true interest cost of the refunding bonds was 1.84%. These bonds closed in February 2021.

The University has a $250 million commercial paper program, which is typically used to fund project expenditures until long-term funding is secured. As of June 30, 2021, there was $25 million in commercial paper outstanding.

In August 2020, the University entered into two separate $100 million agreements with lenders in order to provide short-term emergency support for COVID-19 impacts and to provide general institutional liquidity. Credit agencies consider this type of liquidity support as a credit positive. To date, no draws have been made on the liquidity lines of credit.

Credit ratings are an indicator of the University's effectiveness in managing its financial resources. During fiscal year 2021, Moody's removed the negative watch on the University's credit rating (Aaa, Stable) and Standard & Poor's reaffirmed the University's credit rating (AA+, Stable). These strong ratings carry substantial advantages for the University: continued and wider access to capital markets, lower interest rates on bonds, and the ability to negotiate favorable bond terms. The University's short-term credit ratings were also affirmed at P-1 (Moody's) and A-1+ (Standard & Poor's).

Moody's Fiscal Year 2020
Public College and University Rating Distribution
(As of the June 2021 Moody's Median Report)



The Board of Regents typically authorizes the long-term debt (excluding commercial paper) issuance on a fiscal year basis, and for fiscal year 2022 has authorized up to $100 million. Any increase, other than debt issued to achieve debt service savings and/or to remarket a put or term bond, would require additional approval by the Board.

Debt beyond fiscal year 2022 is managed through an annual process in which the University estimates debt capacity by benchmarking key debt-related financial metrics to credit peer institutions.

See note 10 for additional information regarding debt and other long-term liabilities.

Net Position

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

The University reports its "equity" in four categories:

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

The University's net position at June 30, 2021, 2020 and 2019 is summarized as follows:

Categories of Net Position

(in millions)	2021	2020	2019
Net investment in capital assets	$ 2,519	$ 2,532	$ 2,489
Restricted:			
Nonexpendable	1,996	1,883	1,878
Expendable	3,211	2,243	2,192
Unrestricted	182	(751)	(981)
Total net position	**$ 7,909**	**$ 5,907**	**$ 5,578**

Net investment in capital assets decreased $13 million, or 1%, in 2021. This balance typically increases as debt is repaid, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated. This category of net position increased $43 million, or 2%, in 2020, primarily as a result of greater additions to net capital assets during the year than the associated increase in capital asset-related debt, reflecting continued capital spending on previously approved projects.

Restricted nonexpendable net position increased $113 million, or 6%, in 2021 primarily as a result of receiving $67 million in new endowment gifts during the year, together with a $48 million increase in the market value of investments underlying the University's split-interest agreements. This category of net position increased $5 million, or 0.3%, in 2020.

Restricted expendable net position increased $968 million, or 43%, in 2021. New operating and capital gifts, and earnings or losses on restricted investments, including endowments, primarily affect this category of net position. During 2021, unrealized gains in the market value of the CEF (net of unrealized losses) increased $899 million, and unspent operating and capital gifts increased $74 million. Earnings on the Metropolitan Tract also contributed $15 million. This category of net position increased $51 million, or 2%, in 2020. Unspent operating and capital gifts increased $88 million during 2020, together with $4 million from the institutional support portion of the CARES Act HEERF and $15 million from earnings on the Metropolitan Tract. These amounts were partially offset by a $72 million increase in unrealized and realized losses on investments held in the CEF.

Unrestricted net position increased $933 million, or 124%, in 2021. Operating losses associated with unrestricted activities were $93 million and interest expense on capital asset-related debt was $87 million. These amounts were more than offset by $481 million in state operating appropriations, $416 million in investment income on unrestricted investments, and $127 million of other nonoperating revenue from federal sources related to the University's response to the COVID pandemic. This category of net position increased $230 million, or 23%, in 2020. Operating losses associated with unrestricted activities were $511 million and interest expense on capital asset-related debt was $93 million. These amounts were more than offset by $415 million in state operating appropriations, $256 million in investment income on unrestricted investments, and $83 million of federal funds from the CARES Act Provider Relief Fund and the student aid portion of HEERF.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

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

A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2021, 2020 and 2019 follows:

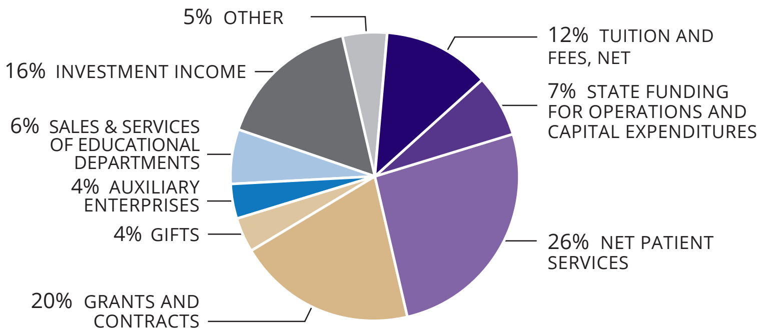
Operating Results

(in millions)	2021	2020	2019
Net patient services	$ 2,208	$ 2,093	$ 2,136
Tuition and fees, net	1,033	1,058	1,052
Grants and contracts	1,567	1,492	1,426
Other operating revenues	1,034	860	871
Total operating revenues	5,842	5,503	5,485
Salaries and benefits	3,748	3,882	3,732
Other Operating Expenses	2,500	2,465	2,332
Operating loss	**(406)**	**(844)**	**(579)**
State appropriations	481	415	379
Gifts	215	220	166
Investment income	1,342	209	340
Other nonoperating revenues	457	438	264
Interest on capital asset-related debt	(87)	(93)	(89)
Increase in net position	**$ 2,002**	**$ 345**	**$ 481**

The University's operating loss decreased to $406 million in 2021, from $844 million in 2020. State appropriations are shown as nonoperating revenue, but are primarily used to fund core University operations. If state appropriations were classified as operating revenue, the University would have reported net operating income of $75 million in 2021, and an operating loss of $429 million in 2020.

The University has a diversified revenue base. No single source generated more than 26% of the total fiscal year 2021 revenues of $8.3 billion.

Sources of Funds



The following table summarizes revenues from all sources for the years ended June 30, 2021, 2020 and 2019:

Revenues from All Sources

(in millions)	2021		2020		2019	
Net patient services	$ 2,208	26%	$ 2,093	31%	$ 2,136	32%
Grants and contracts	1,631	20%	1,555	23%	1,492	22%
Investment income	1,342	16%	209	3%	340	5%
Tuition and fees, net	1,033	12%	1,058	16%	1,052	16%
State funding for operations	481	6%	415	6%	379	6%
Sales and services of educational departments	463	6%	283	4%	260	4%
Gifts	332	4%	452	7%	331	5%
Auxiliary enterprises	297	4%	420	6%	483	7%
State funding for capital projects	70	1%	23	0%	25	0%
Other	480	5%	277	4%	136	3%
Total revenue - all sources	**$ 8,337**	**100%**	**$ 6,785**	**100%**	**$ 6,634**	**100%**

Patient Services–UW Medicine

The financial statements of the University include the operations of the School of Medicine (SOM), two medical centers, an associated physician practice group, 13 free standing clinics, an emergency air transport service and the University's share of three joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see note 15) and shared services providing IT, accounting, financial services and human resources comprise UW Medicine. UW Medicine is governed and administered as an enterprise of the University whose mission is to improve the health of the public. UW Medicine advances this mission through work in patient care, medical education of physicians and other healthcare providers, and research.

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

UW Medical Center (UWMC) is an 810-bed hospital located on two campuses that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest and beyond. Effective January 1, 2020, Northwest Hospital & Medical Center was integrated into UWMC as its second campus, and its assets and liabilities were transferred to UWMC. UWMC also serves as the major clinical, teaching and research site for students and faculty in Health Sciences at the University. More than 27,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met by the Cancer Center, the Regional Heart Center, the Neonatal Intensive Care Unit and the Organ Transplantation program, among others.

Valley Medical Center (VMC) is a 341-bed acute care hospital and network of clinics that treats approximately 16,000 inpatients per year, and is the oldest and largest public hospital district in the state of Washington. VMC's Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position are presented in a discrete column on the financial statements of the University.

Unaudited – see accompanying notes to financial statements

UW Neighborhood Clinics (Neighborhood Clinics) is a network of clinics with 13 neighborhood locations throughout the greater Puget Sound area, providing primary, urgent and selected specialty care with a staff of 120 healthcare providers.

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

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

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

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

In combination, these organizations (not including VMC) contributed $2.2 billion in net patient services revenue in fiscal year 2021, compared with nearly $2.1 billion in fiscal year 2020, a increase of $115 million, or 5%. UWMC generated 78% of this revenue in 2021 and 76% in 2020. UWMC admissions were 27,320 in 2021 compared with 26,998 in 2020, an increase in admissions of 1%. In addition, surgeries grew 12% for UWMC compared to 2020. The cancellation of non-emergent and elective procedures in 2020, as directed by the Governor of the state of Washington in response to the COVID-19 pandemic, did not occur in 2021 and is the primary reason for the increase in operating revenues and patient volumes during the year.

Grant and Contract Revenue

One of the largest sources of revenue (20%) continues to be grants and contracts. Grant and contract revenue is received from federal sponsors, by far the largest component, and also from state, local and nongovernmental sources. Total grant and contract revenue increased $76 million in 2021, compared to an increase of $63 million in 2020.

Federal grant and contract revenue increased $41 million, or 4%, in 2021 due primarily to National Institutes of Health (NIH) grant activity. A total of 65 new active NIH grants increased revenue by $22 million, supporting a variety of biomedical research initiatives including research focused on the COVID-19 pandemic. Federal grant and contract revenue increased $41 million, or 4%, in 2020 due primarily to NIH grant activity and continued research vessel support from the National Science Foundation (NSF). A total of 31 new NIH grants increased revenue by $13 million, supporting a variety of biomedical research initiatives aiming to enhance health and reduce illness. The University also received a 5-year, $34 million NSF award to perform oceanographic research missions aboard the newly refurbished R/V Thomas G. Thompson.

State and local grant and contract revenue increased $24 million, or 19%, in 2021 largely attributable to the Washington College Grant, formerly called the Washington State Need Grant, which grew $23 million during the year as a result of increased support from the state legislature related to appropriations and a higher number of eligible students. State and local grant and contract revenue increased $16 million, or 14%, in 2020 largely attributable to the Washington College Grant, which grew $15 million during the year also as a result of increased support from the state legislature related to appropriations and a higher number of eligible students.

Nongovernmental grant and contract revenue increased $9 million, or 3%, in 2021. Two grants from the Bill & Melinda Gates Foundation contributed to this increase, with a study on COVID therapeutic drug research and a supplemental increase for the Institute for Health Metrics and Evaluation's (IHME) Global Burden of Disease (GBD) enterprise. The GBD provides a tool to quantify health loss from hundreds of diseases, injuries, and risk factors and aims to improve health systems and eliminate disparities. Nongovernmental grant and contract revenue increased $9 million, or 3%, in 2020. Grants from the Paul G. Allen Family Foundation supporting the UW Medicine Emergency Response Fund for COVID-19 and the Alcohol and Drug Abuse Institute contributed to this increase. The University also received a large consultancy agreement from the Inter-American Development Bank to assist with the Regional Malaria Elimination Initiative. This initiative is funded by the Bill & Melinda Gates Foundation and the Global Fund, with an aim of accelerating progress towards Malaria elimination in Mesoamerica and the Dominican Republic.

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

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

Facility and administrative expenses necessary to support grants and contracts are reimbursed by sponsors, along with direct costs, by an indirect cost recovery. The 2021 and 2020 indirect cost recovery rate for research grants was approximately 31 cents on every direct expenditure dollar.

Primary Nongrant Funding Sources

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

Operating Support for Instruction

(in millions)	2021		2020		2019	
Operating tuition and fees	$ 694	46%	$ 701	48%	$ 716	50%
Fees for self-sustaining educational programs	339	22%	357	24%	336	24%
Subtotal - tuition and fees	1,033	68%	1,058	72%	1,052	74%
State operating appropriations	481	32%	415	28%	379	26%
Total educational support	**$1,514**	**100%**	**$1,473**	**100%**	**$1,431**	**100%**

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

Revenue from tuition and fees, net of scholarship allowances, decreased $25 million in 2021, compared to an increase of $6 million in 2020. This decrease reflects $50 million of emergency student aid received by the University during 2021 through HEERF I and II, and distributed to students in the form of scholarship allowances which are reported as an offset to tuition revenue. Revenue from tuition and fees before scholarship allowances otherwise increased during 2021, partially due to the state allowing a 2.5% operating fee increase in resident undergraduate tuition in 2021 and a 2.4% increase in 2020. Other tuition categories also contributed to these increases. Nonresident undergraduate operating fees increased 2.5% in 2021. Most graduate and professional operating fees increased 2.5%, while other program rates increased 0-5%. Most fee-based program rates increased 0-6% in 2021. These other fee increases were consistent with those implemented during 2020.

Revenue growth (before scholarship allowances) for both years was also partly due to modest increases in student enrollment. Full-time equivalent (FTE) enrollment in 2021 in undergraduate tuition-and fee-based programs increased by 2.3% in the resident student category, but remained flat in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs increased by 7.3% in the resident student category and decreased by 0.6% in the nonresident student category. FTE enrollment in 2020 in undergraduate tuition-and fee-based programs were flat in the resident student category, but increased 0.3% in the nonresident student category. FTE enrollment in graduate and professional tuition- and fee-based programs held steady in 2020 in the resident student category and increased by 1.8% in the nonresident student category.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2021, 2020 and 2019: Continuum College (the continuing education branch of the University) $133 million, $132 million and $126 million, respectively, summer quarter tuition $62 million, $81 million and $65 million, respectively, and for Business School and School of Medicine programs $69 million, $66 million and $63 million, respectively.

Gifts, Endowments and Investment Revenues

Net investment income for the years ended June 30, 2021, 2020 and 2019 consisted of the following:

Net Investment Income

(in millions)	2021	2020	2019
Interest and dividends, net	$ 73	$ 63	$ 72
Metropolitan Tract net income	24	25	26
Seattle Cancer Care Alliance change in equity	51	25	24
Realized gains	90	171	169
Unrealized (losses) gains	1,104	(75)	49
Net investment income	**$ 1,342**	**$ 209**	**$ 340**

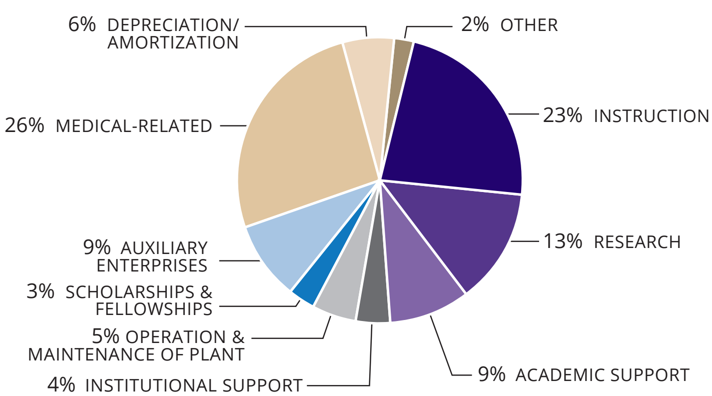
Net investment income increased $1,133 million, or 542%, in 2021 compared to a decrease of $131 million, or 39%, in 2020. A sharp rise in unrealized gains drove the increase in 2021, whereas a much smaller decrease in unrealized gains during 2020 was partly offset by increases in realized gains. Returns on the CEF were +5.8% in fiscal year 2019 and +1.1% in 2020, but jumped to +35.1% in 2021.

In fiscal year 2020, the University concluded a ten-year fundraising campaign titled “Be Boundless - For Washington, For the World” which resulted in more than a half-million donors giving a combined $6.3 billion. Gifts are a key and necessary source of support for a variety of purposes, including current operating activities. Gifts support scholarships and research, capital improvements, and are used to fund permanent endowments for various academic and research purposes. Current use gifts decreased $5 million in 2021, but increased $54 million in 2020 primarily due to $24 million received by the School of Medicine that year to support the University’s response to COVID-19, and $12 million related to the Brotman Baty Institute. Capital gifts decreased $117 million in 2021 but increased $138 million in 2020, driven by $125 million of support received from the Bill & Melinda Gates Foundation in 2020 to benefit the University’s Population Health Initiative. Gifts to permanent endowments were mostly unchanged in 2021, compared to a decrease of $70 million in 2020. Two large estate gifts received by the University in 2019, but not repeated in 2020, were the primary reason for the decrease in 2020.

Expenses

Two primary functions of the University, instruction and research, comprised 36% of total operating expenses in 2021. These dollars provided instruction to over 60,000 students and funded nearly 5,500 research awards. Medical-related expenses, such as those related to patient care, continue to be the largest individual component, accounting for 27% of the University's total operating expenses in 2021.

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, 2021, 2020 and 2019 follows:

Operating Expenses by Function

(in millions)	2021		2020		2019	
Educational and general instruction	$1,407	23%	$1,361	21%	$1,320	22%
Research	822	13%	796	13%	749	12%
Public service	87	1%	77	1%	66	1%
Academic support	556	9%	542	9%	540	9%
Student services	51	1%	55	1%	54	1%
Institutional support	260	4%	272	4%	226	4%
Operation and maintenance of plant	303	5%	281	4%	252	4%
Scholarships and fellowships	192	3%	154	3%	155	3%
Auxiliary enterprises	518	8%	576	9%	554	9%
Medical-related	1,674	27%	1,845	29%	1,776	29%
Depreciation/ amortization	378	6%	388	6%	372	6%
Total operating expenses	**$6,248**	**100%**	**$6,347**	**100%**	**$6,064**	**100%**

Overall, the University's operating expenses decreased $99 million, or 2%, in 2021 and increased $283 million, or 5%, in 2020. Approximately 60% of amounts incurred for operating expenses in both 2021 and 2020 were related to faculty and staff compensation and benefits.

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

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

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

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

In 2020, expense associated with faculty and staff salaries increased $82 million, or 3% primarily due to merit increases and the need to retain historical staffing levels despite a decrease in UW Medicine volumes as a result of the COVID-19 pandemic.

Benefits expense increased $68 million, or 8% in 2020. Pension-related benefit expenses increased $41 million, driven by amortization of UWSRP deferred outflows reflecting a lower discount rate that had an unfavorable impact on pension expense. OPEB expense decreased $16 million primarily due to lower service cost in 2020. All other benefit expenses, which fluctuate each year in relation to the change in total paid salaries, increased $43 million during 2020.

Supplies and materials expense increased $32 million, or 5%, in 2020 primarily driven by higher costs for pharmaceutical expenses associated with growth in contract pharmacy, as well as generally rising costs for pharmaceutical supplies.

Purchased services increased $70 million, or 8%, in 2020, primarily due to costs associated with information technology and management consulting, as well as contract medical personnel.

Economic Factors That May Affect the Future

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

Certain information provided by the University, including written or oral statements made by its representatives, may contain forward looking statements as defined in the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, which address activities, events or developments that the University expects or anticipates will or may occur in the future contain forward-looking information. In reviewing such information, it should be kept in mind that actual results may differ materially from those projected or suggested in such forward-looking information. This forward-looking information is based upon various factors and was derived using various assumptions. The University does not undertake to update forward-looking information contained in this report or elsewhere to reflect actual results, changes in assumptions or changes in other factors affecting such forward-looking information.

STATE OPERATING AND CAPITAL APPROPRIATIONS

The state of Washington, which provided approximately 7% of the University's total revenues in fiscal year 2021, began to see promising signs of economic recovery in state tax collections after several 2020 revenue forecasts predicted significant declines in state revenue due to the COVID-19 pandemic. In recent biennia, growth in state tax collections and new revenue have largely been consumed by court-mandated increases to K-12 education funding (McCleary v. Washington). As part of the 2019-21 compromise budget package, which was passed during the 2019 legislative session and is effective for fiscal years 2020 and 2021, the legislature approved HB 2158, which created a dedicated source of funding for higher education through an increase to Business and Occupation (B&O) taxes on professional services. In addition to funding foundational support allocations to public colleges and universities, this revenue maintained the legislature's commitment to fully-fund the Washington College Grant program (previously the State Need Grant program), and made significant investments in science, technology, engineering and math (STEM) enrollments across all three UW campuses.

During the 2021 legislative session, the state passed a budget for the 2021-23 biennium (effective for fiscal years 2022 and 2023). State revenue forecasts leading up to the start of the 2021 session projected significant deficits as a result of the COVID-19 pandemic. Because of this, the University was asked to provide the Governor's Office of Financial Management a response to an exercise modeling a 15% reduction to state operating appropriations to the institution. Fortunately, a 15% reduction was avoided due to improvements in revenue projections. The biennial budget provided additional funding for UW Medicine safety net support in fiscal years 2022 and 2023, and included more than 30 direct allocations (provisos) to the University. Compensation increases for non-represented faculty and staff that were originally intended to be implemented in fiscal year 2021 were allowed to take place in fiscal year 2022, but the budget did not include funding for any new salary increases in the biennium.

The June 2021 revenue forecast has since shown a nearly full economic recovery compared to the June 2020 revenue forecast, which forecasted a precipitous economic decline and a nearly $9 billion deficit over the previous and current biennia. The University will continue to monitor state revenue collections as new revenue forecasts are released in September and November of 2021.

The University's fiscal year 2022 general operating appropriation from the state (excluding certain amounts appropriated for specific purposes) currently totals just over $437 million. This amount is an increase from approximately $421 million in 2021 and $397 million in 2020. Recent increases are largely attributable to targeted investments in safety net support for UW Medicine and the School of Dentistry, as well as targeted research investments.

During the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state. Under this current policy, the state has allowed resident undergraduate tuition to increase by 2%-2.8% in each year. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2021-23 biennium. The University's current expectation is that resident undergraduate tuition increases will continue to be limited to approximately 2%-3% each year for the near future. The University's Board of Regents continues to have broad tuition and fee setting authority for categories other than resident undergraduate tuition.

State funding for capital appropriations continues to be constrained, but the state's 2021-23 biennial capital budget provided state bonding capacity or other funding for several critical capital projects that the University requested for the 2021-23 biennium. These include a behavioral health teaching facility, healthcare infrastructure, STEM-related buildings on the Seattle and Tacoma campuses, and seismic upgrades.

UW MEDICINE

The COVID-19 pandemic continues to evolve and the future impact on UW Medicine's operations and financial position will be driven by many factors, most of which are beyond

UW Medicine's control and are difficult to predict. The spread of COVID-19 and the ensuing response of federal, state and local authorities beginning in March 2020 resulted in a material reduction in patient volumes. Restrictive measures including travel bans, social distancing, quarantines and shelter-in-place orders reduced the number of procedures performed at UW Medicine facilities, as well as the volume of emergency room visits. UW Medicine responded to the pandemic throughout fiscal year 2021 and experienced gradual and continued improvement in patient volumes as stay-at-home restrictions eased and UW Medicine facilities were permitted to resume elective surgeries and other procedures; however, the COVID-19 pandemic continues to impact UW Medicine business as well as patients, communities and employees. Broad economic factors resulting from the pandemic, including increased unemployment rates and reduced consumer spending, continue to impact patient volumes, case mix acuity, service mix and revenue mix.

The pandemic has also continued to have an adverse effect on UW Medicine operating expenses to varying degrees. It has been necessary to utilize higher-cost temporary labor and pay premiums above standard compensation for essential workers. There have also been significant price increases in medical supplies, particularly personal protective equipment ("PPE"), and supply chain disruptions including shortages and delays. Due to these factors and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on UW Medicine's business.

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

Behavioral Health Teaching Facility at UWMC

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

OTHER

In December 2019, the UW Finance Transformation (UWFT) program received approval from the University's Board of Regents to proceed with a broad redesign of finance-related policies and processes, enabled by the implementation of new enterprise resource planning (ERP) technology. Workday Financials has been chosen to support the business objectives for this transformation by providing a seamless, integrated solution for Human Resources and Payroll (previously implemented), Finance and Procurement. The University expects three primary areas of program benefit: functional benefits in the form of new and improved system capabilities, cost avoidance of maintaining and upgrading existing systems, and efficiencies in new business processes and organization. This transformation will move the institution toward a single financial system of record, and is a top administrative priority for the University. Total program costs are estimated at $340 million, which includes all operating and capital costs for implementation and one year of stabilization. Go-live for UWFT is expected to be July 1, 2023.

FINANCIAL STATEMENTS & NOTES

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT VALLEY MEDICAL CENTER	
	June 30,		June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2021**	**2020**	**2021**	**2020**
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 3)	$ 137,411	$ 143,195	$ 152,700	$ 114,880
INVESTMENTS, CURRENT PORTION (NOTE 7)	1,364,521	999,750	25,335	74,035
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $53,191 and $23,896) (NOTE 6)	1,137,372	825,053	92,091	89,817
OTHER CURRENT ASSETS	66,417	61,868	33,331	31,829
TOTAL CURRENT ASSETS	2,705,721	2,029,866	303,457	310,561
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 4)	80,005	78,673	—	—
INVESTMENTS, NET OF CURRENT PORTION (NOTE 7)	6,764,421	5,515,973	150	257
METROPOLITAN TRACT (NOTE 8)	196,146	182,970	—	—
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $3,564 and $4,520) (NOTE 5)	45,473	48,945	—	—
OTHER NONCURRENT ASSETS	309,951	256,558	128,103	144,978
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $5,456,450 and $5,103,381) (NOTE 9)	4,975,968	4,971,660	403,584	393,772
TOTAL NONCURRENT ASSETS	12,371,964	11,054,779	531,837	539,007
TOTAL ASSETS	15,077,685	13,084,645	835,294	849,568
DEFERRED OUTFLOWS OF RESOURCES (NOTE 13)	742,444	639,368	14,033	15,112
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 15,820,129**	**$ 13,724,013**	**$ 849,327**	**$ 864,680**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 970,795	$ 963,443	$ 149,841	$ 136,125
UNEARNED REVENUES	314,886	363,606	45,265	82,186
OTHER CURRENT LIABILITIES	25,000	—	—	—
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 10-12)	312,165	161,269	9,564	10,570
TOTAL CURRENT LIABILITIES	1,622,846	1,488,318	204,670	228,881
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	32,523	34,790	—	—
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 10-12)	2,822,042	2,719,287	328,739	328,062
PENSION LIABILITIES (NOTE 16)	559,819	1,198,088	—	—
OTHER POST-EMPLOYMENT BENEFITS (NOTE 17)	1,696,027	1,541,654	—	—
TOTAL NONCURRENT LIABILITIES	5,110,411	5,493,819	328,739	328,062
TOTAL LIABILITIES	6,733,257	6,982,137	533,409	556,943
DEFERRED INFLOWS OF RESOURCES (NOTE 13)	1,178,137	834,820	27,723	29,190
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**7,911,394**	**7,816,957**	**561,132**	**586,133**
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,519,360	2,531,666	123,279	118,350
RESTRICTED:				
NONEXPENDABLE	1,995,857	1,882,929	—	—
EXPENDABLE	3,211,485	2,243,384	1,112	856
UNRESTRICTED	182,033	(750,923)	163,804	159,341
TOTAL NET POSITION	7,908,735	5,907,056	288,195	278,547
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 15,820,129**	**$ 13,724,013**	**$ 849,327**	**$ 864,680**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNIT VALLEY MEDICAL CENTER	
	Year ended June 30,		**Year ended June 30,**	
REVENUES	**2021**	**2020**	**2021**	**2020**
OPERATING REVENUES:				
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $22,634 and $17,238)	$ 2,207,768	$ 2,092,975	$ 707,368	$ 639,971
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $230,927 and $198,769)	1,032,697	1,058,271	—	—
FEDERAL GRANTS AND CONTRACTS	1,123,184	1,081,880	—	—
STATE AND LOCAL GRANTS AND CONTRACTS	156,600	132,119	—	—
NONGOVERNMENTAL GRANTS AND CONTRACTS	287,021	277,624	—	—
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	463,060	283,169	—	—
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	71,265	114,726	—	—
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $6,694 and $8,143)	37,732	91,535	—	—
OTHER AUXILIARY ENTERPRISES	188,166	213,887	—	—
OTHER OPERATING REVENUE	273,889	156,863	73,421	67,063
TOTAL OPERATING REVENUES	**5,841,382**	**5,503,049**	**780,789**	**707,034**
EXPENSES				
OPERATING EXPENSES (NOTE 14):				
SALARIES	2,898,297	2,961,040	408,510	381,791
BENEFITS	849,676	920,605	104,859	93,547
SCHOLARSHIPS AND FELLOWSHIPS	192,021	153,869	—	—
UTILITIES	58,866	61,804	6,259	5,563
SUPPLIES AND MATERIALS	753,831	663,676	113,622	108,019
PURCHASED SERVICES	905,707	954,758	103,230	91,190
DEPRECIATION/AMORTIZATION	377,838	388,338	32,319	33,366
OTHER	211,567	243,390	32,528	33,495
TOTAL OPERATING EXPENSES	**6,247,803**	**6,347,480**	**801,327**	**746,971**
OPERATING LOSS	**(406,421)**	**(844,431)**	**(20,538)**	**(39,937)**
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	480,826	415,030	—	—
GIFTS	214,620	219,542	—	—
INVESTMENT INCOME (NET OF INVESTMENT EXPENSE OF $10,580 and $7,964)	1,341,974	208,987	(2,231)	8,786
INTEREST ON CAPITAL ASSET-RELATED DEBT	(87,093)	(92,739)	(12,701)	(13,961)
PELL GRANT REVENUE	51,969	51,719	—	—
PROPERTY TAX REVENUE	—	—	24,373	24,003
OTHER NONOPERATING REVENUES (EXPENSES)	149,427	118,883	20,745	27,824
NET NONOPERATING REVENUES	**2,151,723**	**921,422**	**30,186**	**46,652**
INCOME BEFORE OTHER REVENUES	**1,745,302**	**76,991**	**9,648**	**6,715**
CAPITAL APPROPRIATIONS	69,557	23,098	—	—
CAPITAL GRANTS, GIFTS AND OTHER	119,803	179,089	—	—
GIFTS TO PERMANENT ENDOWMENTS	67,017	65,425	—	—
TOTAL OTHER REVENUES	**256,377**	**267,612**	**—**	**—**
INCREASE IN NET POSITION	**2,001,679**	**344,603**	**9,648**	**6,715**
NET POSITION				
NET POSITION – BEGINNING OF YEAR (NOTE 1)	5,907,056	5,562,453	278,547	271,832
NET POSITION – END OF YEAR	**$ 7,908,735**	**$ 5,907,056**	**$ 288,195**	**$ 278,547**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CASH FLOWS

	UNIVERSITY OF WASHINGTON	
	Year Ended June 30,	
CASH FLOWS FROM OPERATING ACTIVITIES	**2021**	**2020**
PATIENT SERVICES	$ 2,116,804	$ 2,105,973
STUDENT TUITION AND FEES	1,001,158	1,013,436
GRANTS AND CONTRACTS	1,568,641	1,517,392
PAYMENTS TO SUPPLIERS	(725,235)	(675,574)
PAYMENTS FOR UTILITIES	(57,414)	(63,570)
PURCHASED SERVICES	(883,137)	(955,809)
OTHER OPERATING DISBURSEMENTS	(208,819)	(243,539)
PAYMENTS TO EMPLOYEES	(2,883,152)	(2,960,222)
PAYMENTS FOR BENEFITS	(850,449)	(850,441)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(192,021)	(153,173)
LOANS ISSUED TO STUDENTS	(5,310)	(3,805)
COLLECTION OF LOANS TO STUDENTS	8,782	15,597
AUXILIARY ENTERPRISE RECEIPTS	260,554	413,271
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	399,882	267,163
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	861,530	925,020
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(857,506)	(983,117)
OTHER RECEIPTS	139,699	249,732
NET CASH USED BY OPERATING ACTIVITIES	**(305,993)**	**(381,666)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	485,910	429,393
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	112,930	51,719
PRIVATE GIFTS	147,585	165,422
PERMANENT ENDOWMENT RECEIPTS	67,017	65,425
DIRECT LENDING RECEIPTS	216,237	234,139
DIRECT LENDING DISBURSEMENTS	(216,237)	(219,568)
FEDERAL STIMULUS FUNDING	172,371	124,575
OTHER	22,804	31,502
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**1,008,617**	**882,607**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT	565,770	172,136
STATE CAPITAL APPROPRIATIONS	67,245	20,346
CAPITAL GRANTS AND GIFTS RECEIVED	55,619	179,001
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(402,947)	(406,338)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(543,254)	(151,988)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(85,012)	(91,221)
OTHER	2,845	(4,294)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(339,734)**	**(282,358)**

UNIVERSITY OF WASHINGTON

CASH FLOWS FROM INVESTING ACTIVITIES	Year Ended June 30, 2021	2020
PROCEEDS FROM SALES OF INVESTMENTS	8,658,988	8,907,673
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS	(9,124,882)	(9,157,311)
INVESTMENT INCOME	97,220	88,734
NET CASH USED BY INVESTING ACTIVITIES	**(368,674)**	**(160,904)**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(5,784)	57,679
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR	143,195	85,516
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$ 137,411**	**$ 143,195**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
OPERATING LOSS	$ (406,421)	$ (844,431)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
DEPRECIATION/AMORTIZATION EXPENSE	377,838	388,338
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:		
RECEIVABLES	(238,085)	22,190
OTHER ASSETS	(58,014)	(41,685)
PENSION AND OPEB RELATED DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES	233,591	(284,066)
PENSION LIABILITIES	(638,269)	54,605
OPEB LIABILITY	154,373	187,477
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	106,049	(54,633)
UNEARNED REVENUE	(88,837)	143,015
OTHER LONG-TERM LIABILITIES	250,578	44,288
U.S. GOVERNMENTAL GRANTS REFUNDABLE	(2,268)	(8,556)
LOANS TO STUDENTS	3,472	11,792
NET CASH USED BY OPERATING ACTIVITIES	**(305,993)**	**(381,666)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES		
STOCK GIFTS	66,287	51,481
INCREASE IN INTEREST IN SEATTLE CANCER CARE ALLIANCE	50,837	25,062
NET UNREALIZED GAINS (LOSSES)	1,134,329	(82,418)
EXTERNALLY MANAGED TRUSTS	(30,255)	7,257
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$ 1,221,198**	**$ 1,382**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

	2021 CUSTODIAL FUNDS			2020 CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ASSETS:						
POOLED INVESTMENTS AT FAIR VALUE	$ 74,545	$ —	$ 74,545	$ 55,687	$ —	$ 55,687
OTHER ASSETS	—	3,269	3,269	—	837	837
TOTAL ASSETS	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**
FIDUCIARY NET POSITION:						
POOL PARTICIPANTS	$ 74,545	$ —	$ 74,545	$ 55,687	$ —	$ 55,687
ORGANIZATIONS AND OTHER GOVERNMENTS	—	3,269	3,269	—	837	837
TOTAL FIDUCIARY NET POSITION	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

YEAR ENDED JUNE 30,

	2021			2020		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ADDITIONS:						
GIFTS	$ 2,010	$ 22,350	$ 24,360	$ 1,164	$ 21,953	$ 23,117
COLLATERAL RECEIVED AND RELATED ADDITIONS	—	17,192	17,192	—	15,682	15,682
INVESTMENT EARNINGS:						
CHANGE IN FAIR VALUE	17,528	—	17,528	(2,539)	—	(2,539)
INTEREST, DIVIDENDS, AND OTHER	1,494	—	1,494	2,514	—	2,514
TOTAL INVESTMENT EARNINGS	19,022	—	19,022	(25)	—	(25)
LESS INVESTMENT ACTIVITY COSTS	(71)	—	(71)	(69)	—	(69)
NET INVESTMENT EARNINGS	18,951	—	18,951	(94)	—	(94)
TOTAL ADDITIONS	**20,961**	**39,542**	**60,503**	**1,070**	**37,635**	**38,705**
DEDUCTIONS:						
BENEFITS PAID TO PARTICIPANTS OR BENEFICIARIES	—	22,174	22,174	—	22,094	22,094
DISTRIBUTION TO POOL PARTICIPANTS	2,103	—	2,103	2,064	—	2,064
COLLATERAL DISBURSED AND RELATED DEDUCTIONS	—	14,936	14,936	—	15,992	15,992
TOTAL DEDUCTIONS	**2,103**	**37,110**	**39,213**	**2,064**	**38,086**	**40,150**
NET INCREASE (DECREASE) IN FIDUCIARY NET POSITION	**18,858**	**2,432**	**21,290**	**(994)**	**(451)**	**(1,445)**
FIDUCIARY NET POSITION:						
FIDUCIARY NET POSITION - BEGINNING OF YEAR	55,687	837	56,524	56,681	1,288	57,969
FIDUCIARY NET POSITION - END OF YEAR	**$ 74,545**	**$ 3,269**	**$ 77,814**	**$ 55,687**	**$ 837**	**$ 56,524**

See accompanying notes to financial statements

Dollars in thousands

NOTES TO FINANCIAL STATEMENTS

NOTE 1:

Summary of Significant Accounting Policies

FINANCIAL REPORTING ENTITY

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

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

Harborview Medical Center (HMC), a component unit of King County, Washington, is a related party to the University, but is not reflected as part of the financial reporting entity (see note 15).

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

CHANGE IN REPORTING ENTITY

On February 8, 2018 the University's Board of Regents approved the dissolution of Northwest Hospital & Medical Center (NWH), a Washington non-profit corporation, and integration of NWH and UWMC. The integration occurred on January 1, 2020, at which time NWH ceased operations and the University accepted the assets, liabilities, and remaining operations of the corporate entity. At the time of the integration, Northwest Hospital became the Northwest Campus of UWMC and ceased to be a blended component unit of the University. The integration was accounted for as a government merger and, as such, is reflected in the University's consolidated financial statements as if the merger had occurred on July 1, 2019.

BLENDED COMPONENT UNITS

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

MEDICAL ENTITIES

The Association of University Physicians dba UW Physicians (UWP)

UWP is a Washington nonprofit corporation formed in 1983 for the exclusive benefit of the University of Washington School of Medicine (SOM). UWP employs SOM faculty and bills and collects for their clinical services as an agent for SOM. UWP had operating revenues of $405.0 million and $354.8 million for the years ended June 30, 2021 and 2020, respectively.

UW Medicine Neighborhood Clinics (Neighborhood Clinics)

Neighborhood Clinics is a Washington nonprofit corporation formed in 1996 exclusively for charitable, scientific and educational purposes for the benefit of SOM, UWP and its affiliated medical centers, HMC and UWMC. Neighborhood Clinics was organized to coordinate and develop patient care in a community clinical setting. Neighborhood Clinics enhances the academic environment of SOM by providing additional sites of primary care practice and training for faculty, residents and students. Neighborhood Clinics had operating revenues of $33.7 million and $31.1 million for the years ended June 30, 2021 and 2020, respectively.

REAL ESTATE ENTITIES

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

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

As of June 30, 2021 and 2020, these entities had net capital assets of $315.4 million and $335.6 million, respectively, and long-term debt of $321.1 million and $338.1 million, respectively. These amounts are reflected in the University's financial statements.

DISCRETELY PRESENTED COMPONENT UNIT

Valley Medical Center

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

JOINT VENTURES

The University, together with Seattle Children's Hospital and Fred Hutchinson Cancer Research Center, are members of the Seattle Cancer Care Alliance (SCCA). The SCCA integrates the cancer research, teaching and clinical cancer programs of all three institutions to provide state-of-the-art cancer care. Each member of the SCCA holds a one-third interest in the joint venture. The University accounts for its interest in the SCCA under the equity method of accounting. As of June 30, 2021 and 2020, the University's investment in the SCCA totaled $259.3 million and $208.4 million, respectively. The University's investment in the SCCA is included in other noncurrent assets in its Statements of Net Position. The University reported investment income of $50.8 million and $25.1 million for its share of the joint venture for the years ended June 30, 2021 and 2020, respectively.

The University and Seattle Children's Hospital established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care and charitable, educational and scientific missions. CUMG employs SOM faculty physicians, and bills and collects for their services as an agent for SOM. The University's patient services receivable (see note 6) as of June 30, 2021 and 2020 includes amounts due from CUMG of $12.3 million and $17.8 million, respectively.

In October 2018, the University became an equity member in PNWCIN, LLC dba Embright (Embright), a Limited Liability Company. Embright is jointly owned by the University, MultiCare Health System and LifePoint Health. As a clinically integrated network in the Pacific Northwest owned by healthcare provider organizations, Embright enables the members to partner together to further the Triple Aim of improving the patient care experience and improving the health of populations while reducing costs. Together, the members represent 14 hospitals, more than 6,500 providers and over 600 outpatient sites of care. Embright's broad geographical reach assures that patients will have access to the full continuum of care, including preventive, primary, secondary, tertiary, quaternary and post-acute care. Throughout the network, teams are also implementing evidence-based clinical protocols, care pathways, standardized processes and care management services for complex patients. As of June 30, 2021 and 2020, the University's ownership interest in Embright totaled $2.2 million and $1.8 million, respectively. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statements of Net Position.

BASIS OF ACCOUNTING

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

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

On July 1, 2020, the University implemented GASB Statement No. 84, "*Fiduciary Activities*." This Statement establishes criteria for identifying and reporting fiduciary activities of all state and local governments. Governments with activities meeting the criteria are required to present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. Custodial assets held for three months or less are exempt from the reporting requirements. To reflect the changes resulting from this implementation, the University has added the Statements of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position for all years presented. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2020 have been restated to conform with the requirements of this Statement and current year presentation.

With the adoption of GASB Statement No. 84, net position was restated at July 1, 2019. Below is a reconciliation of total net position as previously reported at June 30, 2019, to the restated net position.

(Dollars in thousands)

NET POSITION AT JUNE 30, 2019, AS PREVIOUSLY REPORTED	$	5,578,326
ADOPTION OF GASB STATEMENT NO. 84		(15,873)
NET POSITION AT JULY 1, 2019, AS RESTATED	$	**5,562,453**

On July 1, 2020, the University implemented GASB Statement No. 92, "*Omnibus 2020*." This Statement addresses a variety of topics, including specific provisions related to leases, certain intra-entity transfers between a primary government and a component unit's post-retirement benefit plan, reporting of post-employment plan assets accumulated outside of a qualified trust, certain requirements related to fiduciary activities' post-employment benefit arrangements, measurement of asset retirement obligations resulting from a government acquisition, public entity risk pools, fair value measurements, and derivative instrument terminology. Implementation of this Statement did not have a material impact on the University's financial statements.

CHANGE IN ACCOUNTING ESTIMATE

On July 1, 2020, the state of Washington established a trust for contributions paid by the University for the benefit of the University of Washington Supplemental Retirement Plan (UWSRP) in accordance with Revised Code of Washington (RCW) 41.50.075. As a result, the guidance governing the accounting for the UWSRP has changed from GASB codification section P22 "*Pension Activities – Reporting for Benefits Not Provided through Trusts That Meet Specific Criteria*" to GASB codification section P20 "*Pension Activities – Reporting for Benefits Provided through Trusts That Meet Specific Criteria*."

This event gives rise to a change in the University's estimates of future obligations, deferrals, and pension expense related to the UWSRP. Specifically, $61.0 million of contributions paid in prior years and recognized as benefits expense have been reported as Capital Grants, Gifts and Other revenue on the Statements of Revenues, Expenses, and Changes in Net Position for the fiscal year ending June 30, 2021. In addition, the University will now report the plan's net pension liability (total pension liability less the plan's fiduciary net position), related deferrals, and pension expense in accordance with GASB codification section P20. Prior to this change in estimate, the University reported the plan's total pension liability.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In May 2020, the GASB issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance*," which was effective upon issuance. This Statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018. As a result, the University has postponed implementation of Statements No. 87 and No. 89.

In June 2017, the GASB issued Statement No. 87, "*Leases*," which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This Statement changes the current classification of lease arrangements as either operating or capital leases, and establishes a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding

12 months. Lessees will be required to recognize a lease liability and an intangible right-to-use (ROU) lease asset, and lessors will be required to recognize a lease receivable and a deferred inflow of resources. The University expects that implementation of this Statement will have a material impact on its financial statements. While the University continues to assess all of the impacts of implementation, it currently believes the most significant impact relates to the recognition of new ROU assets and lease liabilities on its Statements of Net Position for its real estate and equipment leases. When implemented, the University currently expects to recognize lease liabilities with corresponding ROU assets of approximately $700 million. The University also expects to recognize lease receivables with corresponding deferred inflows of resources of approximately $320 million related to real estate agreements in which it is the lessor. The substantial majority of these relate to the University of Washington Metropolitan Tract (see note 8). The estimates above are based on the University's existing lease agreements and its currently estimated incremental borrowing rate. The actual impact could differ materially from these estimates based on future leasing activities as well as any changes in the University's estimated incremental borrowing rate.

In June 2018, the GASB issued Statement No. 89, *"Accounting for Interest Cost Incurred before the End of a Construction Period*," which will be effective for the fiscal year ending June 30, 2022, as amended by the issuance of Statement No. 95. This Statement requires that interest cost incurred before the end of a construction period be recognized as expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, these costs will no longer be included in the capitalized cost of capital assets reported by the University. This Statement will be applied on a prospective basis, and interest costs capitalized prior to implementation will continue to be recognized as those assets are depreciated. The University estimates that implementation of this Statement will result in approximately $2.0 million to $4.0 million of additional interest expense being recognized annually.

In May 2019, the GASB issued Statement No. 91, *"Conduit Debt Obligations,"* which will be effective for the fiscal year ending June 30, 2022. This Statement provides a single method for reporting conduit debt obligations of issuers. The Statement clarifies the existing definition of a conduit debt obligation, creates standards for accounting for commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations, and improves related financial statement disclosures. The Statement provides guidance for arrangements when capital assets are acquired with proceeds of conduit debt obligations and used by a third party that is obligated to pay the debt service. The University has not issued conduit debt; therefore, implementation of this Statement will have no impact on the University's financial statements.

In March 2020, the GASB issued Statement No. 93, *"Replacement of Interbank Offered Rates,"* which will be effective for the fiscal year ending June 30, 2022, as amended by Statement No. 95. This Statement addresses accounting and financial reporting implications that result from the replacement of an Interbank Offered Rate. While the University continues to assess the impact of implementation of this Statement, it does not currently expect it to have a material impact on the University's financial statements.

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

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

In June 2020, the GASB issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*." Some requirements of this statement related to defined contribution post-employment benefit plans and fiduciary defined benefit post-employment benefit plans are effective immediately. Management has concluded that these requirements have no material impact on the University. The remaining requirements are effective for the fiscal year ending June 30, 2022. This Statement provides guidance intended to increase consistency and comparability related to reporting of fiduciary component units in situations where a potential component unit does not have a governing board and the primary government performs the duties that a governing board would typically perform. The Statement also intends to mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other post-employment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements. Lastly, the Statement seeks to enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan, and for benefits provided through those plans. While the University continues to assess the impact of implementation of this Statement, it does not currently expect implementation to have a material impact on the financial statements.

USE OF ESTIMATES

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

The University estimates the pollution remediation liability (see remediation liabilities, note 10) by reviewing the current status of known polluted sites and developing estimates of cleanup costs. These estimates are subject to change due to improvements in technology, inflation, changes in the scope of work, and the pursuit of reimbursement from other responsible parties.

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

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

The self-insurance reserve (see note 18) is estimated through an externally prepared actuarial calculation using individual case-basis valuations and statistical analyses. Considerable variability is inherent in such estimates.

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

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

OTHER ACCOUNTING POLICIES

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

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

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

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

Capital assets that are financed by capital leases are depreciated in the same manner as other capital assets.

Interest incurred on capital asset-related debt was $88.0 million and $94.2 million for the years ended June 30, 2021 and 2020, respectively. The University capitalized $0.9 million and $1.5 million of this cost for the years ended June 30, 2021 and 2020, respectively.

Unearned Revenues. Unearned revenues occur when funds have been collected in advance of when the associated goods or services have been provided, such as advance ticket sales, summer quarter tuition, unspent cash advances on certain grants and advance Medicare payments as described in note 2.

Asset Retirement Obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. AROs are measured at the current value of the estimated costs required to dispose of the asset. AROs are included in long-term liabilities on the University's Statements of Net Position (see remediation liabilities, note 10), and represent costs related to two cyclotrons used for research, clinical applications, and education. Disposal of these assets must be accomplished in accordance with Washington Administrative Code Chapter 246, "Department of Health". The University used the decommissioning guidance provided by the U.S. Nuclear Regulatory Commission to estimate the disposal costs. The assets identified have estimated remaining useful lives of 10 and 15 years. The University has issued a statement of intent to the Washington Department of Health to request funding from the state legislature to fund the decommissioning of these assets. The University has no assets restricted for payment of these obligations. The University has not recognized an obligation for costs that would be incurred in the event that the University relinquished its license from the Department of Health and ceased use of radioactive materials in its operations as the likelihood of this occurring is remote.

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

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

The total pension liability is determined by discounting projected benefit payments for current participants and retirees, based on the benefit terms and legal agreements existing at the pension plan's fiscal year-end. The discount rate used for the total pension liability as of June 30, 2021, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. The discount rate used for the total pension liability as of June 30, 2020, is the yield or index rate for 20-year tax-exempt general obligation municipal bonds with an average credit rating of AA/Aa or higher. The UWSRP liability as of June 30, 2021, represents the total pension liability less the plan's fiduciary net position. The UWSRP liability as of June 30, 2020, represents the total pension liability. 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 (fiscal year 2021 only). The measurement date for the UWSRP liability is the same as the Statements of Net Position date.

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

Split-Interest Agreements. Under such agreements, donors make gifts to the University but the University is not the sole beneficiary and receives either a lead interest (distributions during the term of the agreement) or a remainder interest (distribution of assets remaining at the end of the agreement). Charitable trusts, charitable gift annuities, pooled income funds and beneficial interests in charitable trusts are examples of split-interest gifts. Where the University holds a remainder interest in a trust that is also administered by the University, an asset related to these agreements is recorded at fair market value, a deferred inflow is recorded for the remainder value, and a liability is recorded equal to the present value of expected future distributions to the income beneficiaries. The liability is calculated using discount rates ranging from 3.4% to 7.5%. Additionally, donors have established and funded trusts which are administered by organizations other than the University. Under the terms of these trusts, the University has the irrevocable right to receive all or a portion of the income earned on the trust assets in perpetuity. The University does not control the assets held by the outside trusts but recognizes an interest in the trusts, based on the fair value of the assets contributed to the trusts, mostly as permanently restricted contributions. Fluctuation in the fair value of these assets are recorded annually as revenue and impact restricted nonexpendable net position.

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2021 and 2020 was $198.4 million and $170.2 million, respectively, and is included in accounts payable and accrued liabilities in the University's Statements of Net Position. Sick leave accrued at June 30, 2021 and 2020 was $57.9 million and $54.7 million, respectively, and is included in long-term liabilities (see note 10) in the University's Statements of Net Position.

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

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

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

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

Financial Assistance. Financial assistance provides patient care without charge to patients who meet certain criteria under the financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under the financial assistance policy to the uninsured and the underinsured. Collection of these amounts is not pursued and, as such, they are not reported as net patient service revenue. The cost of financial assistance provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of financial assistance provided during the years ended June 30, 2021 and 2020 was $20.6 million and $22.9 million, respectively.

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

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

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

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

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

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

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

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

Reclassifications. Certain amounts in the 2020 financial statement footnotes have have been reclassified for comparative purposes to conform to the presentation in the 2021 financial statements.

NOTE 2:

COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of the novel coronavirus (COVID-19) to be a pandemic. The COVID-19 pandemic has had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on the University's operations. In February 2020, the Governor of the state of Washington declared a state of emergency to ensure the swift deployment of resources necessary to address COVID-19 and in March 2020, mandated the postponement of all non-emergent and elective medical procedures. Elective and non-urgent medical procedures were later resumed in May 2020. Both the national state of emergency and the Washington state of emergency continued throughout fiscal year 2021. In March 2020, University courses shifted to remote instruction and remained remote throughout the rest of the 2020-2021 academic year except for specific exceptions.

In response to financial pressures brought on by the pandemic, the Federal Government and the state of Washington have provided additional sources of liquidity to institutions of higher education and healthcare providers. During the years ended June 30, 2021 and 2020, the University received funds from the following sources as part of that response:

- *Medicare Advance Payment Program.* In order to increase cash flow to providers of services and suppliers impacted by the COVID-19 pandemic, the Centers for Medicare & Medicaid Services (CMS) temporarily expanded its Accelerated and Advance Payment Program. Inpatient acute care hospitals, children's hospitals, and certain cancer hospitals were able to request up to 100% of their Medicare payment amount for a six-month period. Amounts received by the University in April and May of 2020 under the Medicare Advance Payment Program will be recovered by Medicare by offsetting paid claims until the full amount is recouped. The University has up to 29 months from the date of the advance payment to repay the balance. Medicare began recouping these advance payments in April 2021.
- *Coronavirus Aid, Relief and Economic Security Act (CARES Act) Provider Relief Fund*. The Federal government passed the CARES Act in March 2020. The Provider Relief Fund makes funding available to healthcare providers to assist with lost revenues associated with lower volumes and cancelled procedures and services due to COVID-19. Provider relief funds consisted of both general and targeted distributions. The University has received both types of distributions.
- *Federal Emergency Management Agency (FEMA) Public Assistance Program.* The FEMA Public Assistance Program provides partial funding for costs related to emergency protective measures conducted as a result of the COVID-19

pandemic. Amounts received by the University under the FEMA Public Assistance Program represent expedited funding for estimated costs incurred by the University for the period from January through June 2020. Amounts unearned are currently expected to be recognized by the University as federal grant revenue when the claims that were submitted are approved.

- *CARES Act Higher Education Emergency Relief Fund (HEERF).* The CARES Act created the Higher Education Emergency Relief Fund (HEERF I), which makes funding available to colleges and universities to assist eligible students impacted by on-campus financial disruption (student aid) as well as to cover costs associated with significant changes to the delivery of instruction (institutional) due to COVID-19. Subsequently, additional funding was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, which created HEERF II, and the American Rescue Plan, which created HEERF III. The student portion of these funds is being distributed as emergency financial aid. The majority of the institutional portion has been directed to the University's Housing and Food Services auxiliary operation.
- *State Appropriations.* The state of Washington provided emergency funding in response to the COVID-19 pandemic for purposes of expanding lab capacity for COVID-19 testing, procuring medical supplies and equipment, sanitizing facilities and equipment, and providing information to the public. Additional funding has also been provided to partially cover revenues from clinical operations that were lost as a result of the pandemic and not covered by other funding sources.
- *CARES Act Paycheck Protection Program.* The CARES Act Paycheck Protection Program is a loan program that allows eligible businesses to apply for a loan of up to 2.5 times the average monthly payroll expense of the business.

The table below summarizes amounts recorded by the University as of June 30, 2021 and 2020, and for the years ended June 30, 2021 and 2020:

	University of Washington		Discrete Component Unit - Valley Medical Center	
(Dollars in thousands)	**2021**	**2020**	**2021**	**2020**
MEDICARE ADVANCE PAYMENT PROGRAM (1)	$ 108,789	$ 125,300	$ 57,408	$ 64,298
CARES ACT PROVIDER RELIEF FUND (2) (5)	34,574	65,553	19,855	47,929
FEMA PUBLIC ASSISTANCE PROGRAM (6)	31,871	31,890	—	—
CARES ACT HEERF - STUDENT AID (2)	49,691	17,601	—	—
STATE APPROPRIATIONS (3)	48,527	7,629	—	—
CARES ACT PAYCHECK PROTECTION PROGRAM (PPP) (4)	5,293	5,293	—	—
CARES ACT HEERF - INSTITUTIONAL (2)	42,696	4,238	—	—
TOTAL	**$ 321,441**	**$ 257,504**	**$ 77,263**	**$ 112,227**

(1) Included in "long-term liabilities" on the University's Statements of Net Position as of June 30, 2021, and as "unearned revenues" as of June 30, 2020. The change in presentation is the result of the Continuing Appropriations Act, 2021 and Other Extensions Act, effective on Oct. 1, 2020, which extended the repayment period for the advance.

(2) Included in "other nonoperating revenues" on the University's Statements of Revenues, Expenses and Changes in Net Position

(3) Included in "state appropriations" on the University's Statements of Revenues, Expenses and Changes in Net Position

(4) Included in "long-term liabilities" on the University's Statements of Net Position

(5) For the University's discrete component unit, $19.9 million and $30.0 million is included in "other nonoperating revenues" on the University's Statements of Revenues Expenses and Changes in Net Position as of June 30, 2021 and 2020, respectively. $17.9 million is included in "unearned revenues" on the University's Statements of Net Position as of June 30, 2020.

(6) Included in "unearned revenues" on the University's Statements of Net Position

The University and its discrete component unit both elected to defer payment of the employer portion of social security taxes through December 31, 2020, as provided for under the CARES Act. As of June 30, 2021 and 2020, amounts deferred by the University of $113.3 million and $30.7 million, respectively, and by the discrete component unit of $13.0 million and $3.6 million, respectively, were included in long-term liabilities on the University's Statements of Net Position.

NOTE 3:

Cash and Cash Equivalents

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

NOTE 4:

Deposit with State of Washington

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

NOTE 5:

Student Loans Receivable

As of June 30, 2021 and 2020, net student loans of $45.5 million and $48.9 million, respectively, consist of $32.5 million and $34.8 million, respectively, from federal programs, and $13.0 million and $14.1 million, respectively, from University programs. For the years ended June 30, 2021 and 2020, interest income from student loans was $0.6 million and $1.6 million, respectively. These unsecured loans are made primarily to students who reside in the state of Washington.

NOTE 6:

Accounts Receivable

The major components of accounts receivable as of June 30, 2021 and 2020 are as follows:

(Dollars in thousands)	**2021**	**2020**
NET PATIENT SERVICES	$ 445,254	$ 347,394
GRANTS AND CONTRACTS	254,962	189,399
INVESTMENTS	204,111	127,105
SALES AND SERVICES	125,371	62,193
DUE FROM OTHER AGENCIES	58,000	62,023
TUITION	15,329	14,823
STATE APPROPRIATIONS	12,251	15,024
ROYALTIES	2,920	8,071
OTHER	72,365	22,917
SUBTOTAL	1,190,563	848,949
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(53,191)	(23,896)
TOTAL	**$ 1,137,372**	**$ 825,053**

NOTE 7:

Investments

INVESTMENTS – GENERAL

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

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

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

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

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

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	2,062,207
ABSOLUTE RETURN STRATEGY FUNDS	714,894
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297
REAL ASSET FUNDS	170,996
OTHER	55,270
TOTAL INVESTMENTS MEASURED USING NAV	**3,857,664**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	7,735,386
CASH EQUIVALENTS AT AMORTIZED COST	393,556
TOTAL INVESTMENTS	**$ 8,128,942**

INVESTMENTS BY FAIR VALUE LEVEL	2020	Fair Value Measurements Inputs: Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
FIXED INCOME SECURITIES				
U.S. TREASURY SECURITIES	$ 1,043,802	$ 15,660	$ 1,028,142	$ —
U.S. GOVERNMENT AGENCY	396,580	11,151	385,429	—
MORTGAGE BACKED	222,329	—	222,329	—
ASSET BACKED	213,099	—	213,099	—
CORPORATE AND OTHER	506,833	21,025	485,808	—
TOTAL FIXED INCOME SECURITIES	**2,382,643**	**47,836**	**2,334,807**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	535,298	532,623	2,675	—
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	324	—	—	324
REAL ESTATE	23,677	18,800	—	4,877
OTHER	7,546	—	—	7,546
TOTAL EQUITY SECURITIES	**566,845**	**551,423**	**2,675**	**12,747**
EXTERNALLY MANAGED TRUSTS	**123,539**	**—**	**—**	**123,539**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**3,073,027**	**$ 599,259**	**$ 2,337,482**	**$ 136,286**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	1,527,184
ABSOLUTE RETURN STRATEGY FUNDS	649,895
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	532,244
REAL ASSET FUNDS	147,283
OTHER	70,654
TOTAL INVESTMENTS MEASURED USING NAV	**2,927,260**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	6,000,287
CASH EQUIVALENTS AT AMORTIZED COST	515,436
TOTAL INVESTMENTS	**$ 6,515,723**

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

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

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

2021	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 2,062,207	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	714,894	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	854,297	554,603	N/A	—
REAL ASSETS FUNDS	170,996	85,166	N/A	—
OTHER	55,270	2,156	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 3,857,664**			
2020	**Fair Value**	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
GLOBAL EQUITY INVESTMENTS	$ 1,527,184	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	649,895	13,095	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	532,244	370,381	N/A	—
REAL ASSETS FUNDS	147,283	58,753	N/A	—
OTHER	70,654	32,674	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 2,927,260**			

1. **Global Equity:** This investment category includes public equity investments in separately managed accounts, long-only comingled funds, unconstrained limited partnerships, and passive index funds. As of June 30, 2021 and 2020, approximately 79% and 78%, respectively, of the value of the investments in this category can be redeemed within 90 days. As of June 30, 2021 and 2020, approximately 94% and 92%, respectively, can be redeemed within one year.
2. **Absolute Return:** This category includes investments in stable income and low-to-medium beta funds. Management of these funds seeks low correlation to broad equity markets by investing in assets that exhibit low volatility, deep discounts, and/or hedges against market downturns. As of June 30, 2021 and 2020, approximately 82% and 83%, respectively, of the value of the investments in this category can be redeemed within one year.
3. **Private equity and venture capital:** This category includes buyout, venture, and special situations funds. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
4. **Real assets:** This category includes real estate, natural resources, and other hard assets. These investments cannot be redeemed at the request of the University. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is expected that underlying assets of the funds will be liquidated over the next 1 to 10 years.
5. **Other:** This category consists of opportunistic investments and includes various types of non-investment grade and non-rated credit plus nominal equity exposure. As of June 30, 2021 and 2020, approximately 37% and 25%, respectively, of the value of the investments in this category can be redeemed or anticipate distribution within one year. The remaining balance of these investments contain restrictions on redemption within one year or will be distributed as underlying investments are liquidated. It is expected that the underlying assets of the funds will be liquidated over the next 10 years.

INVESTMENT POOLS

The University combines most short-term investment balances into the Invested Funds Pool. At June 30, 2021 and 2020, the Short-term and Intermediate-term Invested Funds Pools totaled $2.5 billion and $2.1 billion, respectively. The Invested Funds - Long-term Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $812.0 million and $625.0 million at June 30, 2021 and 2020, respectively. In addition, the Long-term Pool also owns a passive global equity index valued at $141.0 million as of June 30, 2021. Per University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75% in fiscal years 2021 and 2020. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal years 2021 and 2020. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

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

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020, followed by a 4.7% spend rate in fiscal 2021. Quarterly distributions during fiscal year 2021 to programs are based on an annual percentage rate of 3.76%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.94% to support campus-wide fundraising and stewardship activities (0.752%) and to offset the internal cost of managing endowment assets (0.188%). The reduction to 4.5% will be in full effect for fiscal year 2022 and beyond.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. All endowments are recorded at the original gift value at June 30, 2021. Of the endowments that are recorded at current market value at June 30, 2020, the net deficiency from the original gift value was $5.5 million.

Net appreciation in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $89.8 million and $170.0 million in fiscal years 2021 and 2020, respectively, from the sale of investments. The calculation of realized gains and losses is independent of the net appreciation of the fair value of investments. Realized gains and losses on investments that have been held in more than one fiscal year and are sold in the current year include the net appreciation of these investments reported in the prior year(s). The net appreciation in the fair value of investments during the years ended June 30, 2021 and 2020 was $1,193.9 million and $95.0 million, respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2021 and 2020, the University had outstanding commitments to fund alternative investments of $641.9 million and $474.9 million, respectively. These commitments are expected to be called over a multi-year time frame, generally 2-5 years depending on the type of fund. The University believes it has adequate liquidity and funding sources to meet these obligations.

DERIVATIVE INSTRUMENTS

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

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

As of June 30, 2021 and 2020, the University had outstanding futures contracts with notional amounts totaling $232.6 million and $65.1 million, respectively. As of June 30, 2021 and 2020, accumulated unrealized gains on these contracts totaled $760 thousand and $20 thousand, respectively. These accumulated unrealized gains are included in Investments on the Statements of Net Position. Futures are financial contracts obligating the buyer to purchase an asset at a predetermined future date and price.

Credit exposure represents exposure to counterparties relating to financial instruments, where gains exceed collateral held by the University or losses are less than the collateral posted by the University. There was no credit exposure as of June 30, 2021 or 2020. 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 1.95 years and 1.99 years at June 30, 2021 and 2020, respectively.

CREDIT RISK

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

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

Duration and credit risk figures at June 30, 2021 and 2020 exclude $31.5 million and $32.3 million, respectively, of fixed income securities held by component units. These amounts make up 1.03% and 1.36%, respectively, of the University's fixed income investments, and are not included in the duration figures detailed in Table 4.

The composition of fixed income securities at June 30, 2021 and 2020, along with credit quality and effective duration measures, is summarized as follows:

TABLE 4 – FIXED INCOME: CREDIT QUALITY AND EFFECTIVE DURATION *(Dollars in thousands)*

2021

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

2020

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,028,142	$ —	$ —	$ —	$ 1,028,142	2.25
U.S. GOVERNMENT AGENCY	391,240	—	—	—	391,240	3.02
MORTGAGE BACKED	—	177,087	14,037	31,205	222,329	1.78
ASSET BACKED	—	190,520	3,400	19,179	213,099	1.16
CORPORATE AND OTHER	—	427,629	22,703	45,199	495,531	1.06
TOTAL	**$ 1,419,382**	**$ 795,236**	**$ 40,140**	**$ 95,583**	**$ 2,350,341**	**1.99**

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

FOREIGN EXCHANGE RISK

Foreign exchange risk is the risk that investments denominated in foreign currencies may lose value due to adverse fluctuations in the value of the U.S. dollar relative to foreign currencies. The University's investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The University also enters into foreign currency forward contracts, futures contracts, and options to manage the foreign currency exposure. The University held non-U.S. denominated securities of $1.8 billion and $1.4 billion at June 30, 2021 and 2020, respectively.

TABLE 5 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	2021	2020
CHINESE RENMINBI (CNY)	$ 390,837	$ 299,324
JAPANESE YEN (JPY)	258,092	229,546
INDIAN RUPEE (INR)	199,687	119,874
EURO (EUR)	176,789	150,466
BRITISH POUND (GBP)	138,836	96,832
BRAZIL REAL (BRL)	102,402	79,831
SOUTH KOREAN WON (KRW)	67,748	53,471
CANADIAN DOLLAR (CAD)	60,192	54,539
HONG KONG DOLLAR (HKD)	58,543	47,526
SINGAPORE DOLLAR (SGD)	54,863	24,635
SWEDISH KRONA (SEK)	45,463	30,295
SWISS FRANC (CHF)	43,872	33,393
TAIWANESE DOLLAR (TWD)	36,479	29,441
AUSTRALIAN DOLLAR (AUD)	26,735	37,665
SOUTH AFRICAN RAND (ZAR)	21,624	14,154
NORWEGIAN KRONE (NOK)	21,369	11,641
RUSSIAN RUBLE (RUB)	19,404	18,141
REMAINING CURRENCIES	91,819	80,837
TOTAL	**$ 1,814,754**	**$ 1,411,611**

NOTE 8:

Metropolitan Tract

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

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

The balances included on the Statements of Net Position as of June 30, 2021 and 2020 of $196.1 million and $183.0 million, respectively, represent the asset value net of operating liabilities and long-term debt on the property. The asset value is comprised primarily of land, buildings, building improvements and operating assets.

As of June 30, 2021 and 2020, total debt outstanding on the Metropolitan Tract was $29.0 million and $29.8 million, respectively. This debt will be repaid by income generated from the properties. The debt was issued in 2015 to refund commercial paper and to acquire the leasehold on the Cobb Building. These amounts are reflected in the balances for Metropolitan Tract on the Statements of Net Position, and are therefore not included in Note 10 or Note 12.

On September 12, 2017, the University executed a ground lease with a developer to construct a 58-story multi-use office tower (Rainier Square Tower). The Rainier Square Tower lease has an eighty-year term, required completion of the building in four years, is unsubordinated, and provides minimum ground rent during construction and 8% of adjusted gross revenue to the University thereafter. Completion of the building occurred in November 2020.

On October 10, 2019, the University signed an additional ground lease with the same developer on the Rainier Square block authorizing the construction of an 11-story office building (400 University Building). The 400 University Building lease commenced on January 1, 2020 for a seventy-eight year term, required completion of the building in three years, is unsubordinated, and provides minimum ground rent during construction and 10% of adjusted gross revenue to the University thereafter. Construction commenced in June 2020 and was completed in July 2021.

NOTE 9:

Capital Assets

Capital asset activity for the years ended June 30, 2021 and 2020 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2019	Additions/ Transfers	Retirements	Balance as of June 30, 2020	Additions/ Transfers	Retirements	Balance as of June 30, 2021
LAND	$ 146,318	$ (227)	$ 2,854	$ 143,237	$ —	$ —	$ 143,237
INFRASTRUCTURE	314,386	602	401	314,587	3,769	20	318,336
BUILDINGS	7,030,386	97,261	11,115	7,116,532	363,152	3,884	7,475,800
FURNITURE, FIXTURES AND EQUIPMENT	1,560,863	45,786	174,948	1,431,701	108,937	45,438	1,495,200
LIBRARY MATERIALS	391,351	14,808	2,143	404,016	16,391	2,217	418,190
CAPITALIZED COLLECTIONS	7,678	(67)	—	7,611	23	—	7,634
INTANGIBLE ASSETS	215,432	7,014	140	222,306	2,219	—	224,525
CONSTRUCTION IN PROGRESS	132,333	230,974	6,452	356,855	(154,209)	5,084	197,562
INTANGIBLES IN PROCESS	34,743	43,453	—	78,196	73,738	—	151,934
TOTAL COST	**9,833,490**	**439,604**	**198,053**	**10,075,041**	**414,020**	**56,643**	**10,432,418**
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	137,609	8,338	392	145,555	8,451	20	153,986
BUILDINGS	3,029,540	275,487	9,641	3,295,386	248,088	3,701	3,539,773
FURNITURE, FIXTURES AND EQUIPMENT	1,303,036	72,617	171,337	1,204,316	97,243	19,324	1,282,235
LIBRARY MATERIALS	296,764	13,423	1,671	308,516	13,624	1,724	320,416
INTANGIBLE ASSETS	131,205	18,473	70	149,608	10,432	—	160,040
TOTAL ACCUMULATED DEPRECIATION/ AMORTIZATION	**4,898,154**	**388,338**	**183,111**	**5,103,381**	**377,838**	**24,769**	**5,456,450**
CAPITAL ASSETS, NET	**$ 4,935,336**	**$ 51,266**	**$ 14,942**	**$ 4,971,660**	**$ 36,182**	**$ 31,874**	**$ 4,975,968**

NOTE 10:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2020	Current portion as of June 30, 2021
BONDS PAYABLE:									
GENERAL OBLIGATION BONDS PAYABLE (NOTE 12)	$ 81,390	$ 12,410	$ 24,215	$ 69,585	$ 13,475	$ 25,375	$ 57,685	$ 10,685	$ 10,995
REVENUE BONDS PAYABLE (NOTE 12)	2,207,490	102,000	63,015	2,246,475	444,585	442,145	2,248,915	70,000	64,570
UNAMORTIZED PREMIUM ON BONDS	153,742	14,673	17,130	151,285	51,474	37,229	165,530	16,001	18,139
TOTAL BONDS PAYABLE	**2,442,622**	**129,083**	**104,360**	**2,467,345**	**509,534**	**504,749**	**2,472,130**	**96,686**	**93,704**
NOTES PAYABLE AND CAPITAL LEASES:									
NOTES PAYABLE & OTHER -CAPITAL ASSET RELATED (NOTE 12)	38,013	28,053	5,428	60,638	6,235	11,482	55,391	10,965	11,220
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 12)	1,494	114	100	1,508	362	98	1,772	1,508	1,738
CAPITAL LEASE OBLIGATIONS (NOTE 11)	7,651	—	2,200	5,451	—	2,024	3,427	1,964	1,836
TOTAL NOTES PAYABLE AND CAPITAL LEASES	**47,158**	**28,167**	**7,728**	**67,597**	**6,597**	**13,604**	**60,590**	**14,437**	**14,794**
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	57,636	3,301	5,978	54,959	15,385	6,270	64,074	5,978	6,270
COVID-19 RELIEF (NOTE 2)	—	35,976	—	35,976	207,923	16,511	227,388	—	157,031
REMEDIATION LIABILITIES (NOTE 1)	33,153	632	—	33,785	—	—	33,785	—	—
HMC ITS FUNDING (NOTE 15)	23,822	447	—	24,269	—	—	24,269	9,600	7,600
SICK LEAVE (NOTE 1)	51,272	18,251	14,834	54,689	21,009	17,754	57,944	9,174	16,294
SELF-INSURANCE (NOTE 18)	100,163	41,339	16,421	125,081	71,805	16,372	180,514	25,323	16,396
OTHER NONCURRENT LIABILITIES	29,987	565	13,697	16,855	313	3,655	13,513	71	76
TOTAL OTHER LONG-TERM LIABILITIES	**296,033**	**100,511**	**50,930**	**345,614**	**316,435**	**60,562**	**601,487**	**50,146**	**203,667**
TOTAL LONG-TERM LIABILITIES	**$2,785,813**	**$ 257,761**	**$ 163,018**	**$2,880,556**	**$ 832,566**	**$ 578,915**	**$3,134,207**	**$ 161,269**	**$ 312,165**

DISCRETE COMPONENT UNIT

Long-term liability activity for the years ended June 30, 2021 and 2020 is summarized as follows:

	Balance as of July 1, 2019	Additions	Reductions	Balance as of June 30, 2020	Additions	Reductions	Balance as of June 30, 2021	Current portion as of June 30, 2020	Current portion as of June 30, 2021
VALLEY MEDICAL CENTER *(Dollars in thousands)*									
LIMITED TAX GENERAL OBLIGATION BONDS	$ 331,195	$ 6,680	$ 10,698	$ 327,177	$ —	$ 12,623	$ 314,554	$ 10,271	$ 8,376
REVENUE BONDS	10,773	—	10,773	—	—	—	—	—	—
BUILD AMERICA BONDS	—	—	—	—	—	—	—	—	—
NOTES PAYABLE & OTHER	6,956	4,781	282	11,455	19,831	7,537	23,749	299	1,188
TOTAL LONG-TERM LIABILITIES	**$ 348,924**	**$ 11,461**	**$ 21,753**	**$ 338,632**	**$ 19,831**	**$ 20,160**	**$ 338,303**	**$ 10,570**	**$ 9,564**

NOTE 11:

Leases

Future minimum lease payments under capital leases, and the present value of the net minimum lease payments as of June 30, 2021, are as follows:

CAPITAL LEASES

Year *(Dollars in thousands)*		**Future Payments**
2022	$	1,896
2023		1,494
2024		119
TOTAL MINIMUM LEASE PAYMENTS		3,509
LESS: AMOUNT REPRESENTING INTEREST COSTS		82
PRESENT VALUE OF MINIMUM PAYMENTS	**$**	**3,427**

OPERATING LEASES

The University has entered into certain lease agreements that are considered to be operating leases, primarily for leased building space. For the years ended June 30, 2021 and 2020, the University recorded rent expense of $96.8 million and $94.6 million, respectively, for these leases.

Future lease payments as of June 30, 2021 are as follows:

Year *(Dollars in Thousands)*		
2022	$	74,265
2023		71,770
2024		60,167
2025		56,844
2026		43,113
2027-2031		137,285
2032-2036		94,960
2037-2041		98,354
2042-2046		113,858
2047-2051		131,813
2052-2056		152,603
2057-2061		196,367
2062-2066		55,286
TOTAL MINIMUM LEASE PAYMENTS	**$**	**1,286,685**

NOTE 12:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2021consist of state of Washington General Obligation Bonds, University Revenue Bonds, and Notes Payable. These obligations have fixed interest rates ranging from 0.19% to 8.00%. As of June 30, 2021, substantially all of the University's debt was publicly offered debt. Amounts from direct borrowings and direct placements were not material. Debt service requirements as of June 30, 2021 are as follows:

BONDS AND NOTES PAYABLE *(Dollars in thousands)*

	STATE OF WASHINGTON GENERAL OBLIGATION BONDS		UNIVERSITY OF WASHINGTON GENERAL REVENUE BONDS		NOTES PAYABLE AND OTHER	
Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	$ 10,995	$ 2,604	$ 64,570	$ 97,966	$ 12,958	$ 785
2023	11,400	2,081	64,840	97,462	9,708	621
2024	11,855	1,497	64,440	94,511	9,603	519
2025	8,930	977	79,890	91,487	7,649	425
2026	5,350	560	83,500	88,317	3,626	354
2027-2031	9,155	429	426,030	388,190	12,364	879
2032-2036	—	—	447,915	299,527	1,008	60
2037-2041	—	—	487,885	188,258	247	12
2042-2046	—	—	374,720	83,919	—	—
2047-2051	—	—	155,125	20,597	—	—
TOTAL PAYMENTS	**$ 57,685**	**$ 8,148**	**$ 2,248,915**	**$ 1,450,234**	**$ 57,163**	**$ 3,655**

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

ISSUANCE AND REFUNDING ACTIVITY

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

On March 17, 2020, the University issued $102.0 million in General Revenue Bonds, 2020A and 2020B (Taxable), at a premium of $12.8 million. The 2020A and 2020B (Taxable) bonds have coupon rates ranging from 1.31% to 5.00% with an average coupon rate of 3.63%. The proceeds were used to fund various projects such as the UW Medicine clinical transformation program ("Destination: One"), as well as construction of the Childbirth Center at UW Medical Center Northwest Campus and renovation of Kincaid Hall. Some of the proceeds were also used to pay off $40.0 million in commercial paper.

On February 27, 2020, the University entered into a Delayed Delivery Bond Purchase Agreement with Bank of America Securities, Inc. (the "Purchase Agreement") in relation to the sale of General Revenue Bonds, 2020C (Delayed Delivery Bonds). The transaction closed on February 9, 2021. The proceeds of the 2020C bonds were used to refund existing callable debt. The 2020C bonds have a par value of $117.8 million and were issued at a premium of $26.4 million; the amount of refunded bonds was $142.7 million with an average coupon of 4.8%; the new bonds have an average coupon of 5.0%. The refunding decreased the total debt service payments to be made over the next 24 years by $33.1 million and resulted in a total economic gain of $27.6 million. The average life of the 2020C bonds is 7.6 years with a final maturity on April 1, 2035.

COMMERCIAL PAPER PROGRAM

The University has a commercial paper program with a maximum borrowing limit of $250.0 million, payable from University General Revenues. This short-term borrowing program is primarily used to fund capital expenditures. As of June 30, 2021, the University had $25.0 million, in outstanding commercial paper. The University had no outstanding commercial paper as of June 30, 2020.

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

During fiscal year 2020, the University issued $15.0 million of commercial paper debt. The University refunded $40.0 million of commercial paper debt with General Revenue Bonds, series 2020A&B during the same period.

SUBSEQUENT DEBT ACTIVITY

On July 20, 2021, the University issued $24.5 million in commercial paper debt; the proceeds were used to partially fund expenditures related to the University's Finance Transformation program.

CREDIT LINES

Effective August 13, 2020, the University entered into a Master Financing Agreement (the "2020 Master Financing Agreement") with JP Morgan Chase Bank to provide a non-revolving credit line available to the University for the financing of short-term assets (FAST), including personal property, to be drawn on from time to time. The 2020 Master Financing Agreement provides financing for the University's FAST Program. The 2020 Master Financing Agreement allows for draws in an aggregate amount not to exceed $40.0 million. The Bank and the University entered into two prior master financing agreements, one dated July 7, 2017 (the "2017 Master Financing Agreement") and the other dated November 14, 2014 (the "2014 Master Financing Agreement"), which allowed for draws up to an aggregate amount not to exceed $30.0 million and $12.0 million respectively. Each Master Financing Agreement replaced the prior agreement, however, draws on the prior master financing agreements remain outstanding until paid under the terms of that agreement. Outstanding borrowings as of June 30, 2021 and 2020 totaled $26.1 million and $25.0 million, respectively.

On August 13, 2020, the University entered into a Revolving Loan Agreement with Washington Federal Bank, National Association which provides a revolving loan through August 1, 2023, for up to $100.0 million to be used for providing additional liquidity and short-term emergency support for COVID-19 impacts. Taxable borrowings under the agreement bear interest at 2.21%; tax-exempt borrowings bear interest at 1.75%. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2021.

On August 13, 2020, the University entered into a Revolving Credit Agreement with U.S. Bank National Association which provides a revolving line of credit through August 12, 2022, for up to $100.0 million to be used for providing additional liquidity and short-term emergency support for COVID-19 impacts. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 84% of the daily one-month LIBOR rate plus a margin of 1.22%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month LIBOR rate plus a margin of 1.45%. The margins are subject to change depending on the University's credit rating. Amounts borrowed under the agreement are payable solely from and secured by a pledge of the University's general revenues. The University made no draws and had no outstanding cash borrowings with respect to this agreement as of June 30, 2021.

DEFEASED DEBT

The University defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust (refunding escrow) to provide for all future debt service payments on the refunded bonds until called. The trust account assets and the liability for the defeased bonds are not included in the University's financial statements. As of June 30, 2021, $222.3 million of bonds outstanding are considered defeased. As of June 30, 2020, there were no defeased bonds outstanding.

NOTE 13:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2021 and 2020 are summarized as follows:

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

2021	Pensions	OPEB	Split-Interest Agreements	Other	Total
DEFERRED OUTFLOWS OF RESOURCES	$ 446,683	$ 272,332	$ —	$ 23,429	$ 742,444
DEFERRED INFLOWS OF RESOURCES	708,092	426,949	43,096	—	1,178,137
2020	**Pensions**	**OPEB**	**Split-Interest Agreements**	**Other**	**Total**
DEFERRED OUTFLOWS OF RESOURCES	$ 450,491	$ 157,383	$ —	$ 31,494	$ 639,368
DEFERRED INFLOWS OF RESOURCES	321,859	469,116	43,845	—	834,820

NOTE 14:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2021 and 2020 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	2021	2020
INSTRUCTION	$ 1,406,567	$ 1,361,466
RESEARCH	821,588	795,899
PUBLIC SERVICE	87,091	77,326
ACADEMIC SUPPORT	556,249	542,180
STUDENT SERVICES	50,711	55,446
INSTITUTIONAL SUPPORT	260,413	271,842
OPERATION & MAINTENANCE OF PLANT	302,649	280,683
SCHOLARSHIPS & FELLOWSHIPS	192,021	153,869
AUXILIARY ENTERPRISES	517,531	575,692
MEDICAL-RELATED	1,675,145	1,844,739
DEPRECIATION/AMORTIZATION	377,838	388,338
TOTAL OPERATING EXPENSES	**$ 6,247,803**	**$ 6,347,480**

Instruction

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

Research

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

Public Service

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

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

Academic Support

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

Student Services

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

Institutional Support

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

Operation and Maintenance of Plant

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

Scholarships and Fellowships

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

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, UW Medicine Shared Services, Commuter Services and Housing and Food Services departments, among others, 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. The activities of UWMC, UWP, Airlift Northwest and Neighborhood Clinics are included in this category.

Depreciation/Amortization

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

NOTE 15:

Related Parties

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

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

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

HMC revenues and expenses are not recognized in the University's financial statements. As of June 30, 2021, the University's financial statements included accounts receivable and long-term receivables from HMC of $56.8 million and $25.3 million, respectively, HMC investments of $5.7 million and current accrued liabilities and long-term liabilities of $45.6 million and $24.3 million, respectively, related to HMC. As of June 30, 2020, the University's financial statements included accounts receivable and long-term receivables from HMC of $27.7 million and $8.9 million, respectively, HMC investments of $4.2 million and current accrued liabilities and long-term liabilities of $38.1 million and $24.3 million, respectively, related to HMC

Under an annual agreement, HMC provides strategic funding to Neighborhood Clinics. Funding from HMC to Neighborhood Clinics was $13.3 million and $13.8 million during fiscal years 2021 and 2020, respectively, and is included in other operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (see note 10) of $24.3 million at June 30, 2021 and 2020, represents HMC's funding of the enterprise-wide information technology capital assets that will be included in the recharge rates of the ITS department over the useful life of the assets.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2021 and 2020, the UWF transferred $171.1 million and $175.9 million, respectively, to the University in gifts and grants received on its behalf; these are included in the financial statements of the University. The remaining amounts retained by the UWF are not significant to the University's financial statements.

The University of Washington Alumni Association is a tax-exempt entity that was established to connect and celebrate alumni and to support the University's mission. The Alumni Association received $4.3 million and $4.4 million from the University in support of its operations in fiscal years 2021 and 2020, respectively. These amounts were expensed by the University.

NOTE 16:

Pension Plans

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

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

As of June 30, 2021 and 2020, the University's share of the total unfunded liability associated with the defined-benefit pension plans administered by the DRS was $433.5 million and $416.3 million, respectively. As of June 30, 2021 and 2020, the liability associated with the defined benefit pension plan administered by the University was $126.3 million and $781.8 million, respectively. Assets held by the University to pay retiree benefits in connection with the pension plan administered by the University of $344.8 million, in both years, have been segregated in a separate investment account and are in addition to those now residing with the Washington State Investment Board. For the years ended June 30, 2021 and 2020, total pension expense recorded by the University related to both the DRS and University plans was $6.2 million and $91.3 million, respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

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

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

Teachers' Retirement System

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

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

Law Enforcement Officers' and Fire Fighters' Retirement System

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

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

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

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

PERS Plan 2/3 and TRS Plan 2/3

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

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

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

LEOFF Plan 2

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

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

FIDUCIARY NET POSITION

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

Chapter 43.33A of the RCW authorizes the Washington State Investment Board (WSIB) to have the investment management responsibility for the pension funds. Investments are reported at fair value, and unrealized gains and losses are included as investment income in the Statement of Changes in Fiduciary Net Position presented in the DRS 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 https://www.drs.wa.gov/administration/annual-report/.

ACTUARIAL ASSUMPTIONS

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

The total pension liability for each DRS plan was determined by an actuarial valuation, conducted by the Washington State Office of the State Actuary (OSA). The University's 2021 pension liabilities are based on an OSA valuation performed as of June 30, 2019, with the results rolled forward to the measurement date of June 30, 2020. Likewise, the University's 2020 pension liabilities are based on a valuation performed as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. The following actuarial assumptions have been applied to all prior periods included in the measurement:

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

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

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

Mortality rates as of June 30, 2018 were based on the RP-2000 Combined Healthy Table and Combined Disabled Table published by the Society of Actuaries' Retirement Plans Experience Committee (RPEC). As recommended by the RPEC, the OSA applied offsets to the base table and recognized future improvements in mortality by projecting the mortality rates using 100% Scale BB. Mortality rates are applied on a generational basis, meaning members are assumed to receive additional mortality improvements in each future year, throughout their lifetimes.

The actuarial assumptions used in the June 30, 2018 valuations were based on the results of the 2007-2012 Experience Study Report and the 2017 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

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

The long-term expected rate of return of 7.40% as of June 30, 2020 and 2019, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

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

	2021 *(Measurement Date 2020)*		**2020** *(Measurement Date 2019)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	2.20%	20.00%	2.20%
TANGIBLE ASSETS	7.00%	5.10%	7.00%	5.10%
REAL ESTATE	18.00%	5.80%	18.00%	5.80%
GLOBAL EQUITY	32.00%	6.30%	32.00%	6.30%
PRIVATE EQUITY	23.00%	9.30%	23.00%	9.30%

The inflation component used to create the above table was 2.20% for both years, and represents WSIB's most recent long-term estimate of broad economic inflation.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2021 and 2020 was 7.40%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively). Based on those assumptions, the fiduciary net position for each pension plan was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.40% future investment rate of return on pension plan investments was assumed as of June 30, 2020 and 2019. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively, as provided for in chapter 41.45 of the RCW).

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

The following table presents the University's proportionate net pension liabilities and assets calculated using the discount rate of 7.40% as of June 30, 2020 and 2019, as well as what the net pension liabilities or assets would be if they were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

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

	2021			2020		
Plan	1% Decrease	Current Discount Rate	1% Increase	1% Decrease	Current Discount Rate	1% Increase
PERS 1	$ 361,443	$ 288,564	$ 225,006	$ 387,806	$ 309,671	$ 241,878
PERS 2/3	833,106	133,891	(441,913)	758,531	98,901	(442,369)
TRS 1	8,616	6,800	5,216	7,925	6,200	4,705
TRS 2/3	12,476	4,233	(2,490)	8,104	1,487	(3,893)
LEOFF 2	(90)	(4,535)	(8,175)	(998)	(5,365)	(8,930)

EMPLOYER CONTRIBUTION RATES

Employer contribution rates are developed in accordance with Chapter 41.45 of the RCW by the OSA, and include an administrative expense component that is currently set at 0.18%. The statute provides authority to the Pension Funding Council to adopt changes to economic assumptions and contribution rates. The following table presents the contribution rates, stated as a percentage of covered payroll as defined by the statute, and required contributions for each DRS plan in which the University participates for the years ended June 30, 2021 and 2020:

(Dollars in Thousands)	PERS 1	PERS 2/3[(a)]	TRS 1	TRS 2/3[(a)]	LEOFF 2
2021					
CONTRIBUTION RATE	12.86 %	12.86 %	15.51 %	15.51 %	8.77 %
CONTRIBUTIONS MADE	$ 65,546	$ 105,944	$ 1,907	$ 2,048	$ 360
2020					
CONTRIBUTION RATE	12.83 %	12.83 %	15.41 %	15.41 %	8.93 %
CONTRIBUTIONS MADE	$ 59,236	$ 96,443	$ 1,483	$ 1,604	$ 435

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

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities recorded by the University as of June 30, 2021 was June 30, 2020. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2020 have been used as the basis for determining each employer's proportionate share of the collective pension amounts reported by the DRS in their June 30, 2020 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities recorded by the University as of June 30, 2020 was June 30, 2019, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2019 used as the basis for determining each employer's proportionate share of the collective pension amounts. The following table presents the University's proportionate share for each DRS plan:

PROPORTIONATE SHARE	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2
YEAR ENDED JUNE 30, 2021	8.17 %	10.47 %	0.28 %	0.28 %	0.22 %
YEAR ENDED JUNE 30, 2020	8.05 %	10.18 %	0.25 %	0.25 %	0.23 %

UNIVERSITY AGGREGATED BALANCES

The table below presents the University's aggregated balance of net pension liability and net pension asset as of June 30 2021 and 2020:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2021						
NET PENSION LIABILITY	$ 288,564	$ 133,891	$ 6,800	$ 4,233	$ —	$ 433,488
NET PENSION ASSET	—	—	—	—	4,535	4,535
2020						
NET PENSION LIABILITY	$ 309,671	$ 98,901	$ 6,200	$ 1,487	$ —	$ 416,259
NET PENSION ASSET	—	—	—	—	5,365	5,365

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

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

PROPORTIONATE SHARE OF PENSION EXPENSE *(Dollars in Thousands)*	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
YEAR ENDED JUNE 30, 2021	$ 19,048	$ 13,614	$ 1,651	$ 1,585	$ (130)	$ 35,768
YEAR ENDED JUNE 30, 2020	7,139	22,617	557	1,183	(217)	31,279

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*						
2021	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
CHANGE IN ASSUMPTIONS	$ —	$ 1,907	$ —	$ 546	$ 7	$ 2,460
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	47,931	—	2,675	627	51,233
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	212	—	858	102	1,172
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [a]	65,546	105,944	1,907	2,048	360	175,805
TOTAL	**$ 65,546**	**$ 155,994**	**$ 1,907**	**$ 6,127**	**$ 1,096**	**$ 230,670**
2020						
CHANGE IN ASSUMPTIONS	$ —	$ 2,533	$ —	$ 561	$ 9	$ 3,103
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	28,335	—	1,034	386	29,755
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	—	—	927	—	927
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [b]	59,236	96,443	1,483	1,604	435	159,201
TOTAL	**$ 59,236**	**$ 127,311**	**$ 1,483**	**$ 4,126**	**$ 830**	**$ 192,986**

(a) Recognized as a reduction of the net pension liability as of June 30, 2022
(b) Recognized as a reduction of the net pension liability as of June 30, 2021

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*						
2021	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 1,607	$ 6,800	$ 44	$ 41	$ 51	$ 8,543
CHANGE IN ASSUMPTIONS	—	91,459	—	464	702	92,625
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	16,780	—	15	80	16,875
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	—	—	—	—	—
TOTAL	**$ 1,607**	**$ 115,039**	**$ 44**	**$ 520**	**$ 833**	**$ 118,043**
2020						
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 20,689	$ 143,960	$ 476	$ 1,284	$ 1,100	$ 167,509
CHANGE IN ASSUMPTIONS	—	41,496	—	395	604	42,495
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	21,263	—	48	96	21,407
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	6,957	—	—	87	7,044
TOTAL	**$ 20,689**	**$ 213,676**	**$ 476**	**$ 1,727**	**$ 1,887**	**$ 238,455**

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

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*						
YEAR	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
2022	$ (7,291)	$ (55,795)	$ (192)	$ 61	$ (367)	$ (63,584)
2023	(229)	(13,518)	(6)	434	(23)	(13,342)
2024	2,225	2,141	59	581	89	5,095
2025	3,688	11,445	95	702	173	16,103
2026	—	(4,447)	—	448	(9)	(4,008)
THEREAFTER	—	(4,815)	—	1,333	40	(3,442)
TOTAL	**$ (1,607)**	**$ (64,989)**	**$ (44)**	**$ 3,559**	**$ (97)**	**$ (63,178)**

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

PLANS ADMINISTERED BY UNIVERSITY OF WASHINGTON

University of Washington Retirement Plan

PLAN DESCRIPTION

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

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

The number of participants in the UWRP as of June 30, 2021 and 2020 was 18,871 and 18,298, respectively.

Funding Policy

Employee contribution rates, based on age, are 5%, 7.5% or 10% of salary. The University matches 100% of employee contributions. Within parameters established by the legislature, contribution requirements may be established or amended by the University of Washington Board of Regents. Employer contributions for the years ended June 30, 2021 and 2020 were $137.8 million and $132.1 million, respectively.

University of Washington Supplemental Retirement Plan

PLAN DESCRIPTION

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

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. The table below shows the number of participants in the UWSRP as of June 30, 2021 and 2020:

NUMBER OF PARTICIPANTS	June 30, 2021	June 30, 2020
ACTIVE EMPLOYEES	5,081	6,132
INACTIVE EMPLOYEES RECEIVING BENEFITS	1,076	853
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	160	188

VESTING AND BENEFITS PROVIDED

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the years ended June 30, 2021 and 2020 were $9.7 million and $8.3 million, respectively.

EMPLOYER CONTRIBUTIONS

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

PLAN INVESTMENTS

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

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

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

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

UWSRP PENSION LIABILITY

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

As of June 30, 2021 and 2020, the University had set aside $344.8 million and $344.8 million, respectively, to pay future UWSRP retiree benefits. These assets are physically segregated in a separate investment account, and included in investments, net of current portion on the Statements of Net Position. These assets are in addition to those amounts now residing with the WSIB, which are reflected as a reduction of the TPL beginning in fiscal year 2021.

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. Contributions previously paid to and accumulated by DRS beginning January 1, 2012 were transferred into the trust when this legislation became effective. As a result, the University is now applying accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets as of June 30, 2021.

The components of the UWSRP liability were as follows:

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

	TPL (a)	PLAN FIDUCIARY NET POSITION (b)	NPL (a) minus (b)
BALANCE AS OF JULY 1, 2020	**$ 781,829**	**$ 60,961**	**$ 720,868**
SERVICE COST	22,877	—	22,877
INTEREST ON TPL	17,677	—	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(372,651)	—	(372,651)
CHANGE IN ASSUMPTIONS	(223,327)	—	(223,327)
EMPLOYER CONTRIBUTIONS	—	7,105	(7,105)
INVESTMENT INCOME	—	22,275	(22,275)
BENEFIT PAYMENTS	(9,733)	—	(9,733)
NET CHANGES	(565,157)	29,380	(594,537)
BALANCE AS OF JUNE 30, 2021	**$ 216,672**	**$ 90,341**	**$ 126,331**

SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY (TPL) *(Dollars in thousands)*

BALANCE AS OF JULY 1, 2019	**$ 594,040**
SERVICE COST	16,698
INTEREST ON TPL	21,232
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	31,426
CHANGE IN ASSUMPTIONS	126,749
BENEFIT PAYMENTS	(8,316)
BALANCE AS OF JUNE 30, 2020	**$ 781,829**

The June 30, 2021 TPL is based on an actuarial valuation performed as of June 30, 2020 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2021. The June 30, 2020 TPL is based on an actuarial valuation performed as of June 30, 2018 with update procedures performed to roll forward the TPL to the measurement date of June 30, 2020. Both valuations were prepared using the entry age actuarial cost method.

UWSRP pension expense for the years ended June 30, 2021 and 2020 was $(29.6) million and $60.0 million, respectively.

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that pension obligations will have on the University. The professional judgments used in determining these assumptions are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the NPL as of June 30, 2021 and the TPL as of June 30, 2020:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE UWSRP PENSION LIABILITY *(Dollars in thousands)*		
	2021	**2020**
INFLATION	2.75%	2.75%
SALARY CHANGES	4.00%	4.25%
SOURCE OF MORTALITY ASSUMPTIONS	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE	RP-2000 COMBINED HEALTHY TABLE, WITH GENERATIONAL MORTALITY IMPROVEMENTS USING SCALE BB
DATE OF EXPERIENCE STUDY	AUGUST 2021	APRIL 2016
DISCOUNT RATE	7.40%	2.21%
CHANGE IN DISCOUNT RATE SINCE PRIOR MEASUREMENT DATE	5.19%	(1.29)%
SOURCE OF DISCOUNT RATE	2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY	BOND BUYER'S 20 BOND INDEX AS OF 6/30/2020
INVESTMENT RATE OF RETURN	7.40%	NA
NPL MEASUREMENT AT DISCOUNT RATE	$126,331	NA
NPL DISCOUNT RATE INCREASED 1%	$106,289	NA
NPL DISCOUNT RATE DECREASED 1%	$149,669	NA
TPL MEASUREMENT AT DISCOUNT RATE	NA	$781,829
TPL DISCOUNT RATE INCREASED 1%	NA	$678,878
TPL DISCOUNT RATE DECREASED 1%	NA	$906,918

Material assumption changes during the measurement period ending June 30, 2021 included updating the discount rate from 2.21% to 7.40%. The source for the discount rate changed from the bond rate required of plans with no assets, to the investment return for plans with assets, due to the change in the plan on July 1, 2020, which led to a change in the appropriate accounting guidance. Material assumption changes during the measurement period ending June 30, 2020 included updating the discount rate from 3.50% to 2.21%, as well as updated investment assumptions. Additionally, actual returns for CREF investments, which are used in determining a member's "assumed income", were significantly higher than expected for the measurement period ending June 30, 2021, but were lower than expected for the period ending June 30, 2020 (reflected as "Difference between expected and actual experience" in the Schedule of Changes in the UWSRP Liability).

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

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

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

DEFERRED OUTFLOWS AND DEFERRED INFLOWS OF RESOURCES

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

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in thousands)*		
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	87,128
CHANGE IN ASSUMPTIONS		128,885
TOTAL	**$**	**216,013**
2020		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	104,214
CHANGE IN ASSUMPTIONS		153,291
TOTAL	**$**	**257,505**

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2021		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	365,021
CHANGE IN ASSUMPTIONS		211,024
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		14,004
TOTAL	**$**	**590,049**
2020		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	58,518
CHANGE IN ASSUMPTIONS		24,886
TOTAL	**$**	**83,404**

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in thousands)*		
Year		
2022	$	(65,346)
2023		(65,346)
2024		(65,346)
2025		(51,766)
2026		(42,448)
THEREAFTER		(83,784)
TOTAL	**$**	**(374,036)**

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

NOTE 17:

Other Post Employment Benefits (OPEB)

PLAN DESCRIPTION

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

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

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

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy applicable to each calendar year, with the final amount approved by the state Legislature. The subsidy was $168 per member per month for the first half of fiscal year 2020, and increased in the second half of fiscal year 2020 to $183 per member per month. The amount of the explicit subsidy remained unchanged during fiscal year 2021.

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

The table below shows the University's PEBB membership data as of June 30, 2021 and 2020:

NUMBER OF PARTICIPANTS	**2021** *(Measurement Date: 2020)*	**2020** *(Measurement Date: 2019)*
ACTIVE EMPLOYEES	36,491	33,289
INACTIVE EMPLOYEES RECEIVING BENEFITS	10,039	8,961
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	1,681	1,594

ACTUARIAL ASSUMPTIONS

Accounting requirements dictate the use of assumptions to best estimate the impact that OPEB obligations will have on the University. The professional judgments used by the Washington State Office of the State Actuary (OSA) in determining the assumptions used to value the state of Washington OPEB liability are important, and can significantly impact the resulting actuarial estimates. Differences between actual results compared to these assumptions could have a significant impact on the University's financial statements. The following table shows significant assumptions used to measure the total OPEB liability (TOL) as of June 30, 2021 and 2020:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
	2021	**2020**
INFLATION	2.75%	2.75%
HEALTHCARE COST TREND	INITIAL RATE RANGES FROM 2% - 11% REACHING AN ULTIMATE RATE OF 4.30% IN 2075.	TREND RATE ASSUMPTIONS VARY SLIGHTLY BY MEDICAL PLAN. INITIAL RATE IS APPROXIMATELY 8.00%, REACHING AN ULTIMATE RATE OF APPROXIMATELY 4.50% IN 2080.
SALARY INCREASE	3.50% PLUS SERVICE-BASED SALARY INCREASES	3.50% PLUS SERVICE-BASED SALARY INCREASES
SOURCE OF MORTALITY ASSUMPTIONS	SOCIETY OF ACTUARIES' PUB.H-2010 MORTALITY RATES, WITH APPLICATION OF THE LONG-TERM MP-2017 GENERATIONAL IMPROVEMENT SCALE AND UPDATED BASED ON RESULTS OF THE 2013-2018 DEMOGRAPHIC EXPERIENCE STUDY REPORT AND THE 2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY.	RP-2000 COMBINED HEALTHY TABLE AND COMBINED DISABLED TABLE, WITH FUTURE IMPROVEMENTS IN MORTALITY PROJECTED USING 100 PERCENT SCALE BB AND UPDATED BASED ON RESULTS OF THE 2007-2012 EXPERIENCE STUDY REPORT
DATE OF EXPERIENCE STUDY	2013-2018 EXPERIENCE STUDY REPORT	2007-2012 EXPERIENCE STUDY REPORT
DISCOUNT RATE	2.21%	3.50%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/20 (MEASUREMENT DATE)	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/19 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	65.00%	65.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,696,027	$1,541,654
TOL DISCOUNT RATE INCREASED 1%	$1,417,706	$1,289,041
TOL DISCOUNT RATE DECREASED 1%	$2,053,470	$1,866,891
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,696,027	$1,541,654
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$2,116,928	$1,937,224
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,382,082	$1,247,735

Material assumption changes during the measurement period ending June 30, 2020 include updating the discount rate, updating the forecasts of healthcare cost trend rate, and the mortality assumptions as required by GASB 75. Material assumption changes during the measurement period ending June 30, 2019 include updating the discount rate, as required by GASB 75.

CHANGES IN THE TOTAL OPEB LIABILITY

The TOL for the state of Washington as of June 30, 2021 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020. The measurement date for the TOL as of June 30, 2021 was the same as the valuation date. The TOL for the state of Washington as of June 30, 2020 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2018, with the results rolled forward to the measurement date of June 30, 2019. OPEB implicit and explicit subsidies are funded by required contributions made by participating employers, such as the University. These contributions are made on behalf of all active, healthcare-eligible employees regardless of enrollment status. As such, the allocation method used to determine the University's proportionate share of the statewide TOL is the relationship of University active, healthcare-eligible employee headcount to the corresponding statewide total.

The University's proportionate share percentage was 28.0% and 26.6% as of June 30, 2021 and 2020, respectively.

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
BALANCE AS OF JULY 1, 2019	**$**	**1,354,177**
SERVICE COST		62,422
INTEREST ON TOL		54,148
CHANGE IN ASSUMPTIONS		100,838
BENEFIT PAYMENTS		(24,769)
CHANGE IN PROPORTIONATE SHARE		(5,162)
BALANCE AS OF JUNE 30, 2020		**1,541,654**
SERVICE COST		70,380
INTEREST ON TOL		58,874
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		(9,022)
CHANGE IN ASSUMPTIONS		38,164
BENEFIT PAYMENTS		(28,031)
CHANGE IN PROPORTIONATE SHARE		83,976
OTHER		(59,968)
BALANCE AS OF JUNE 30, 2021	**$**	**1,696,027**

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

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

PROPORTIONATE SHARE OF OPEB EXPENSE *(Dollars in Thousands)*		
YEAR ENDED JUNE 30, 2021	$	27,089
YEAR ENDED JUNE 30, 2020		62,806

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*		
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	37,208
CHANGE IN ASSUMPTIONS		116,624
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		29,832
CHANGE IN PROPORTIONATE SHARE		88,668
TOTAL	**$**	**272,332**
2020		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	41,167
CHANGE IN ASSUMPTIONS		89,633
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		26,583
TOTAL	**$**	**157,383**

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*		
2021		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	8,019
CHANGE IN ASSUMPTIONS		399,994
CHANGE IN PROPORTIONATE SHARE		18,936
TOTAL	**$**	**426,949**
2020		
CHANGE IN ASSUMPTIONS	$	446,992
CHANGE IN PROPORTIONATE SHARE		22,124
TOTAL	**$**	**469,116**

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

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in Thousands)*		
YEAR		
2022	$	(42,197)
2023		(42,197)
2024		(42,197)
2025		(42,197)
2026		(42,197)
THEREAFTER		26,536
TOTAL	**$**	**(184,449)**

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

NOTE 18:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2021 and 2020 were $172.3 million and $173.6 million, respectively. These expenditures will be funded from institutional reserves, debt proceeds and state appropriations.

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

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

The University is exposed to risk of loss related to tort liability, injuries to employees and loss of property. The University purchases insurance protection for workers' compensation as well as marine, foreign liability and certain other risks. The University also purchases insurance protection for loss of property at self-sustaining units, bond-financed buildings and when otherwise required by contract; otherwise, the risk of property loss is retained, unfunded. For medical professional liability, general liability, educator's legal liability including employment practices liability, and automobile liability the University maintains a program of self-insurance reserves and excess insurance coverage through Portage Bay Insurance (PBI), a wholly-owned subsidiary formed to provide the University with alternative risk financing options. PBI is incorporated as a nonprofit corporation in the state of Hawaii, and retains a Certificate of Authority as a pure captive insurance company. The University's self-insurance reserve (see note 10) represents the estimated ultimate cost of settling all self-insured claims resulting from events that have occurred on or before the Statements of Net Position date. The reserve includes the undiscounted amounts that will be required for future payments of claims that have been reported, and claims related to events that have occurred but have not yet been reported.

The self-insurance reserve is estimated using an actuarial calculation. The reserve is included in Long-Term Liabilities in the Statements of Net Position. Changes in the self-insurance reserve for the years ended June 30, 2021 and 2020 are noted below:

(Dollars in thousands)	2021	2020
RESERVE AT BEGINNING OF FISCAL YEAR	$ 125,081	$ 100,163
INCURRED CLAIMS AND CHANGES IN ESTIMATES	71,805	41,339
CLAIM PAYMENTS	(16,372)	(16,421)
RESERVE AT END OF FISCAL YEAR	**$ 180,514**	**$ 125,081**

REGULATORY COMPLIANCE

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

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

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NOTE 19:

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, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 2,705,721	$ (39,038)	$ 2,567,264	$ 177,495	$ 174,649	$ 2,846
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	7,395,996	—	7,239,162	156,834	143,669	13,165
CAPITAL ASSETS, NET	4,975,968	—	4,649,302	326,666	11,221	315,445
TOTAL ASSETS	15,077,685	(39,038)	14,455,728	660,995	329,539	331,456
DEFERRED OUTFLOWS OF RESOURCES	742,444	—	742,444	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 15,820,129**	**$ (39,038)**	**$ 15,198,172**	**$ 660,995**	**$ 329,539**	**$ 331,456**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 1,622,846	$ (13,685)	$ 1,543,685	$ 92,846	$ 68,077	$ 24,769
TOTAL NONCURRENT LIABILITIES	5,110,411	(14,056)	4,796,455	328,012	10,375	317,637
TOTAL LIABILITIES	6,733,257	(27,741)	6,340,140	420,858	78,452	342,406
DEFERRED INFLOWS OF RESOURCES	1,178,137	—	1,178,137	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,911,394	(27,741)	7,518,277	420,858	78,452	342,406
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,519,360	—	2,514,358	5,002	10,656	(5,654)
RESTRICTED:						
NONEXPENDABLE	1,995,857	—	1,995,857	—	—	—
EXPENDABLE	3,211,485	—	3,211,485	—	—	—
UNRESTRICTED	182,033	(11,297)	(41,805)	235,135	240,431	(5,296)
TOTAL NET POSITION	7,908,735	(11,297)	7,679,895	240,137	251,087	(10,950)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 15,820,129**	**$ (39,038)**	**$ 15,198,172**	**$ 660,995**	**$ 329,539**	**$ 331,456**

(Dollars in thousands) **Statements of Net Position – June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
ASSETS						
TOTAL CURRENT ASSETS	$ 2,029,866	$ (33,910)	$ 1,914,125	$ 149,651	$ 144,623	$ 5,028
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	6,083,119	—	5,938,400	144,719	111,871	32,848
CAPITAL ASSETS, NET	4,971,660	—	4,622,937	348,723	13,172	335,551
TOTAL ASSETS	13,084,645	(33,910)	12,475,462	643,093	269,666	373,427
DEFERRED OUTFLOWS OF RESOURCES	639,368	—	639,368	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 13,724,013**	**$ (33,910)**	**$ 13,114,830**	**$ 643,093**	**$ 269,666**	**$ 373,427**
LIABILITIES						
TOTAL CURRENT LIABILITIES	1,488,318	(3,083)	1,393,455	97,946	73,449	24,497
TOTAL NONCURRENT LIABILITIES	5,493,819	(14,294)	5,158,144	349,969	10,244	339,725
TOTAL LIABILITIES	6,982,137	(17,377)	6,551,599	447,915	83,693	364,222
DEFERRED INFLOWS OF RESOURCES	834,820	—	834,820	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,816,957	(17,377)	7,386,419	447,915	83,693	364,222
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	2,531,666	—	2,521,560	10,106	12,607	(2,501)
RESTRICTED:						
NONEXPENDABLE	1,882,929	—	1,882,929	—	—	—
EXPENDABLE	2,243,384	—	2,243,384	—	—	—
UNRESTRICTED	(750,923)	(16,533)	(919,462)	185,072	173,366	11,706
TOTAL NET POSITION	5,907,056	(16,533)	5,728,411	195,178	185,973	9,205
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 13,724,013**	**$ (33,910)**	**$ 13,114,830**	**$ 643,093**	**$ 269,666**	**$ 373,427**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 1,032,697	$ —	$ 1,032,697	$ —	$ —	$ —
PATIENT SERVICES	2,207,768	11,854	1,773,945	421,969	421,969	—
GRANT REVENUE	1,566,805	—	1,566,805	—	—	—
OTHER OPERATING REVENUE	1,034,112	(155,529)	1,101,347	88,294	55,875	32,419
TOTAL OPERATING REVENUES	**5,841,382**	**(143,675)**	**5,474,794**	**510,263**	**477,844**	**32,419**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,869,965	(109,816)	5,512,945	466,836	446,145	20,691
DEPRECIATION / AMORTIZATION	377,838	—	355,766	22,072	1,961	20,111
TOTAL OPERATING EXPENSES	**6,247,803**	**(109,816)**	**5,868,711**	**488,908**	**448,106**	**40,802**
OPERATING INCOME (LOSS)	**(406,421)**	**(33,859)**	**(393,917)**	**21,355**	**29,738**	**(8,383)**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	480,826	—	480,826	—	—	—
GIFTS	214,620	—	214,268	352	352	—
INVESTMENT INCOME	1,341,974	—	1,314,843	27,131	27,131	—
OTHER NONOPERATING REVENUES (EXPENSES)	114,303	40,295	79,387	(5,379)	6,393	(11,772)
NET NONOPERATING REVENUES (EXPENSES)	**2,151,723**	**40,295**	**2,089,324**	**22,104**	**33,876**	**(11,772)**
INCOME BEFORE OTHER REVENUES	**1,745,302**	**6,436**	**1,695,407**	**43,459**	**63,614**	**(20,155)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	189,360	(1,200)	189,060	1,500	1,500	—
GIFTS TO PERMANENT ENDOWMENTS	67,017	—	67,017	—	—	—
TOTAL OTHER REVENUES	**256,377**	**(1,200)**	**256,077**	**1,500**	**1,500**	**—**
INCREASE IN NET POSITION	**2,001,679**	**5,236**	**1,951,484**	**44,959**	**65,114**	**(20,155)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,907,056	(16,533)	5,728,411	195,178	185,973	9,205
NET POSITION – END OF YEAR	**$ 7,908,735**	**$ (11,297)**	**$ 7,679,895**	**$ 240,137**	**$ 251,087**	**$ (10,950)**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
REVENUES						
OPERATING REVENUES:						
STUDENT TUITION AND FEES	$ 1,058,271	$ —	$ 1,058,271	$ —	$ —	$ —
PATIENT SERVICES	2,092,975	(12,619)	1,736,904	368,690	368,690	—
GRANT REVENUE	1,491,623	—	1,491,623	—	—	—
OTHER OPERATING REVENUE	860,180	(112,077)	858,541	113,716	55,001	58,715
TOTAL OPERATING REVENUES	**5,503,049**	**(124,696)**	**5,145,339**	**482,406**	**423,691**	**58,715**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	5,959,142	(82,518)	5,614,841	426,819	409,608	17,211
DEPRECIATION / AMORTIZATION	388,338	—	365,998	22,340	2,177	20,163
TOTAL OPERATING EXPENSES	**6,347,480**	**(82,518)**	**5,980,839**	**449,159**	**411,785**	**37,374**
OPERATING INCOME (LOSS)	**(844,431)**	**(42,178)**	**(835,500)**	**33,247**	**11,906**	**21,341**
NONOPERATING REVENUES (EXPENSES)						
STATE APPROPRIATIONS	415,030	—	415,030	—	—	—
GIFTS	219,542	—	218,955	587	587	—
INVESTMENT INCOME	208,987	—	207,921	1,066	1,066	—
OTHER NONOPERATING REVENUES (EXPENSES)	77,863	37,695	46,422	(6,254)	5,750	(12,004)
NET NONOPERATING REVENUES (EXPENSES)	**921,422**	**37,695**	**888,328**	**(4,601)**	**7,403**	**(12,004)**
INCOME BEFORE OTHER REVENUES	**76,991**	**(4,483)**	**52,828**	**28,646**	**19,309**	**9,337**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	202,187	(1,000)	201,937	1,250	1,250	—
GIFTS TO PERMANENT ENDOWMENTS	65,425	—	65,425	—	—	—
TOTAL OTHER REVENUES	**267,612**	**(1,000)**	**267,362**	**1,250**	**1,250**	**—**
INCREASE IN NET POSITION	**344,603**	**(5,483)**	**320,190**	**29,896**	**20,559**	**9,337**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	5,562,453	(11,050)	5,408,221	165,282	165,414	(132)
NET POSITION – END OF YEAR	**$ 5,907,056**	**$ (16,533)**	**$ 5,728,411**	**$ 195,178**	**$ 185,973**	**$ 9,205**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2021**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (305,993)	$ —	$ (265,815)	$ (40,178)	$ (37,746)	$ (2,432)
NONCAPITAL FINANCING ACTIVITIES	1,008,617	—	958,226	50,391	50,391	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(339,734)	—	(343,256)	3,522	1,427	2,095
INVESTING ACTIVITIES	(368,674)	—	(364,397)	(4,277)	(4,592)	315
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(5,784)**	**—**	**(15,242)**	**9,458**	**9,480**	**(22)**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	143,195	—	87,789	55,406	52,780	2,626
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 137,411**	**$ —**	**$ 72,547**	**$ 64,864**	**$ 62,260**	**$ 2,604**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2020**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**
NET CASH PROVIDED (USED) BY:						
OPERATING ACTIVITIES	$ (381,666)	$ —	$ (398,322)	$ 16,656	$ 7,468	$ 9,188
NONCAPITAL FINANCING ACTIVITIES	882,607	—	872,204	10,403	10,403	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(282,358)	—	(272,997)	(9,361)	5,534	(14,895)
INVESTING ACTIVITIES	(160,904)	—	(166,738)	5,834	(175)	6,009
NET INCREASE IN CASH AND CASH EQUIVALENTS	**57,679**	**—**	**34,147**	**23,532**	**23,230**	**302**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	85,516	—	53,642	31,874	29,550	2,324
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 143,195**	**$ —**	**$ 87,789**	**$ 55,406**	**$ 52,780**	**$ 2,626**

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.17%	8.05%	8.20%	8.44%	8.46%	8.33%	8.28%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 288,564	$ 309,671	$ 366,403	$ 400,426	$ 454,341	$ 435,853	$ 417,231
UNIVERSITY'S COVERED PAYROLL	$ 1,227,868	$ 1,116,298	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002	$ 882,215
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	23.50%	27.74%	34.09%	38.38%	46.01%	47.02%	47.29%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	68.64%	67.12%	63.22%	61.24%	57.03%	59.10%	61.19%

(Amounts determined as of the measurement date)

PERS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 710	$ 970	$ 1,231	$ 1,582	$ 1,788	$ 2,155	$ 2,058
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 710	$ 971	$ 1,234	$ 1,578	$ 1,769	$ 2,155	$ 2,059
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (1)	$ (3)	$ 4	$ 19	$ —	$ (1)
UNIVERSITY'S COVERED PAYROLL	$ 1,343,149	$ 1,227,868	$ 1,116,298	$ 1,074,943	$ 1,043,335	$ 987,405	$ 927,002
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.05%	0.08%	0.11%	0.15%	0.17%	0.22%	0.22%

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	10.47%	10.18%	10.24%	10.48%	10.36%	10.20%	10.00%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 133,891	$ 98,901	$ 174,913	$ 364,073	$ 521,777	$ 364,303	$ 202,225
UNIVERSITY'S COVERED PAYROLL	$ 1,220,321	$ 1,106,678	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661	$ 856,839
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	10.97%	8.94%	16.46%	35.44%	53.91%	40.27%	23.60%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	97.22%	97.77%	95.77%	90.97%	85.82%	89.20%	93.29%

(Amounts determined as of the measurement date)

PERS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 173,198	$ 156,919	$ 141,681	$ 134,239	$ 114,852	$ 107,424	$ 83,323
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 173,204	$ 157,000	$ 141,618	$ 134,366	$ 114,968	$ 108,413	$ 83,342
CONTRIBUTION DEFICIENCY (EXCESS)	$ (6)	$ (81)	$ 63	$ (127)	$ (116)	$ (989)	$ (19)
UNIVERSITY'S COVERED PAYROLL	$ 1,337,667	$ 1,220,321	$ 1,106,678	$ 1,062,415	$ 1,027,338	$ 967,955	$ 904,661
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	12.95%	12.86%	12.80%	12.64%	11.18%	11.10%	9.21%

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

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

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.28%	0.25%	0.24%	0.20%	0.16%	0.13%	0.10%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 6,800	$ 6,200	$ 7,061	$ 6,076	$ 5,463	$ 4,049	$ 2,881
UNIVERSITY'S COVERED PAYROLL	$ 20,153	$ 16,677	$ 13,986	$ 10,967	$ 7,813	$ 5,790	$ 3,905
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	33.74%	37.18%	50.49%	55.40%	69.92%	69.93%	73.78%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	70.55%	70.37%	66.52%	65.58%	62.07%	65.70%	68.77%

(Amounts determined as of the measurement date)

TRS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 56	$ 55	$ 52	$ 48	$ 39	$ 38	$ 44
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 56	$ 55	$ 52	$ 48	$ 40	$ 38	$ 42
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ —	$ (1)	$ —	$ 2
UNIVERSITY'S COVERED PAYROLL	$ 25,479	$ 20,153	$ 16,677	$ 13,986	$ 10,967	$ 7,813	$ 5,790
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.22%	0.27%	0.31%	0.34%	0.36%	0.49%	0.76%

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.28%	0.25%	0.24%	0.19%	0.15%	0.12%	0.08%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 4,233	$ 1,487	$ 1,066	$ 1,796	$ 2,077	$ 969	$ 252
UNIVERSITY'S COVERED PAYROLL	$ 19,800	$ 16,337	$ 13,664	$ 10,669	$ 7,507	$ 5,367	$ 3,391
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	21.38%	9.10%	7.80%	16.83%	27.67%	18.05%	7.43%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	91.72%	96.36%	96.88%	93.14%	88.72%	92.48%	96.81%

(Amounts determined as of the measurement date)

TRS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 3,945	$ 3,068	$ 2,511	$ 2,036	$ 1,401	$ 956	$ 558
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 3,943	$ 3,029	$ 2,470	$ 2,029	$ 1,410	$ 985	$ 555
CONTRIBUTION DEFICIENCY (EXCESS)	$ 2	$ 39	$ 42	$ 7	$ (9)	$ (29)	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 25,124	$ 19,800	$ 16,337	$ 13,664	$ 10,669	$ 7,507	$ 5,367
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	15.70%	15.49%	15.37%	14.90%	13.13%	12.73%	10.40%

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

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

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.22%	0.23%	0.23%	0.22%	0.25%	0.20%	0.21%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 4,535	$ 5,365	$ 4,590	$ 2,995	$ 1,430	$ 2,083	$ 2,844
UNIVERSITY'S COVERED PAYROLL	$ 5,059	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534	$ 3,581
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	89.64%	109.91%	102.30%	73.74%	31.97%	58.94%	79.42%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION ASSET	115.83%	119.43%	118.50%	113.36%	106.04%	111.67%	116.75%

(Amounts determined as of the measurement date)

LEOFF 2 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2021	2020	2019	2018	2017	2016	2015
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 367	$ 444	$ 436	$ 400	$ 348	$ 384	$ 303
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 367	$ 446	$ 435	$ 403	$ 352	$ 384	$ 300
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ (2)	$ 1	$ (3)	$ (4)	$ —	$ 3
UNIVERSITY'S COVERED PAYROLL	$ 4,187	$ 5,059	$ 4,882	$ 4,487	$ 4,061	$ 4,474	$ 3,534
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.77%	8.78%	8.93%	8.91%	8.57%	8.58%	8.57%

(Amounts determined as of the fiscal year end)

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP) SCHEDULE OF CHANGES IN NET PENSION LIABILITY (NPL)

(Dollars in thousands)	2021
TOTAL PENSION LIABILITY - BEGINNING	$ 781,829
SERVICE COST	22,877
INTEREST ON TPL	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(372,651)
CHANGE IN ASSUMPTIONS	(223,327)
BENEFIT PAYMENTS	(9,733)
NET CHANGE IN TOTAL PENSION LIABILITY	(565,157)
TOTAL PENSION LIABILITY - ENDING (a)	**216,672**
PLAN FIDUCIARY NET POSITION - BEGINNING	**60,961**
EMPLOYER CONTRIBUTIONS	7,105
NET INVESTMENT INCOME	22,275
NET CHANGE IN PLAN FIDUCIARY NET POSITION	29,380
PLAN FIDUCIARY NET POSITION - ENDING (b)	**90,341**
UWSRP NET PENSION LIABILITY (a) minus (b)	**$ 126,331**
PLAN FIDUCIARY NET POSITION AS PERCENTAGE OF THE TOTAL PENSION LIABILITY	41.69 %
UWSRP COVERED PAYROLL	$ 1,733,240
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	7.29 %

Unaudited – see accompanying notes to financial statements

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

(Amounts determined as of the fiscal year end)

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

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

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2021

Plans administered by DRS

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

Additional Considerations on ADC for All Plans:

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

Unaudited – see accompanying notes to financial statements

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

Plans administered by the University

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

Covered payroll for the fiscal year ending June 30, 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP, since the UWSRP required contributions beginning in fiscal year 2021 are based on this payroll. This employee population includes the participants of the UWSRP.

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

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

In the fiscal year 2020 the UWSRP had no assets accumulated in a trust that meets the criteria in GASB code P20, paragraph 101 to pay related benefits.

Material assumption changes during the fiscal year 2020 measurement period include updating the GASB 73 discount rate from 3.50% to 2.21%, which increased the TPL. Additionally, CREF investment experience during fiscal year 2020 was lower than expected, leading to an increase in the TPL. TIAA investment experience only slightly deviated from OSA's assumption.

OPEB Plan administered by the Healthcare Authority of Washington State

The OPEB Plan has no assets accumulated in a trust that meets the criteria in GASB Statement No. 75, paragraph 4 to pay related benefits.

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

Material assumption changes in fiscal year 2020 relate to a decrease in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 3.87% for the June 30, 2018 measurement date, to 3.50% for the June 30, 2019 measurement date. This change resulted in an increase in the TOL.

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For more information, contact Financial Accounting at 206.221.7845 or accountg@uw.edu

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