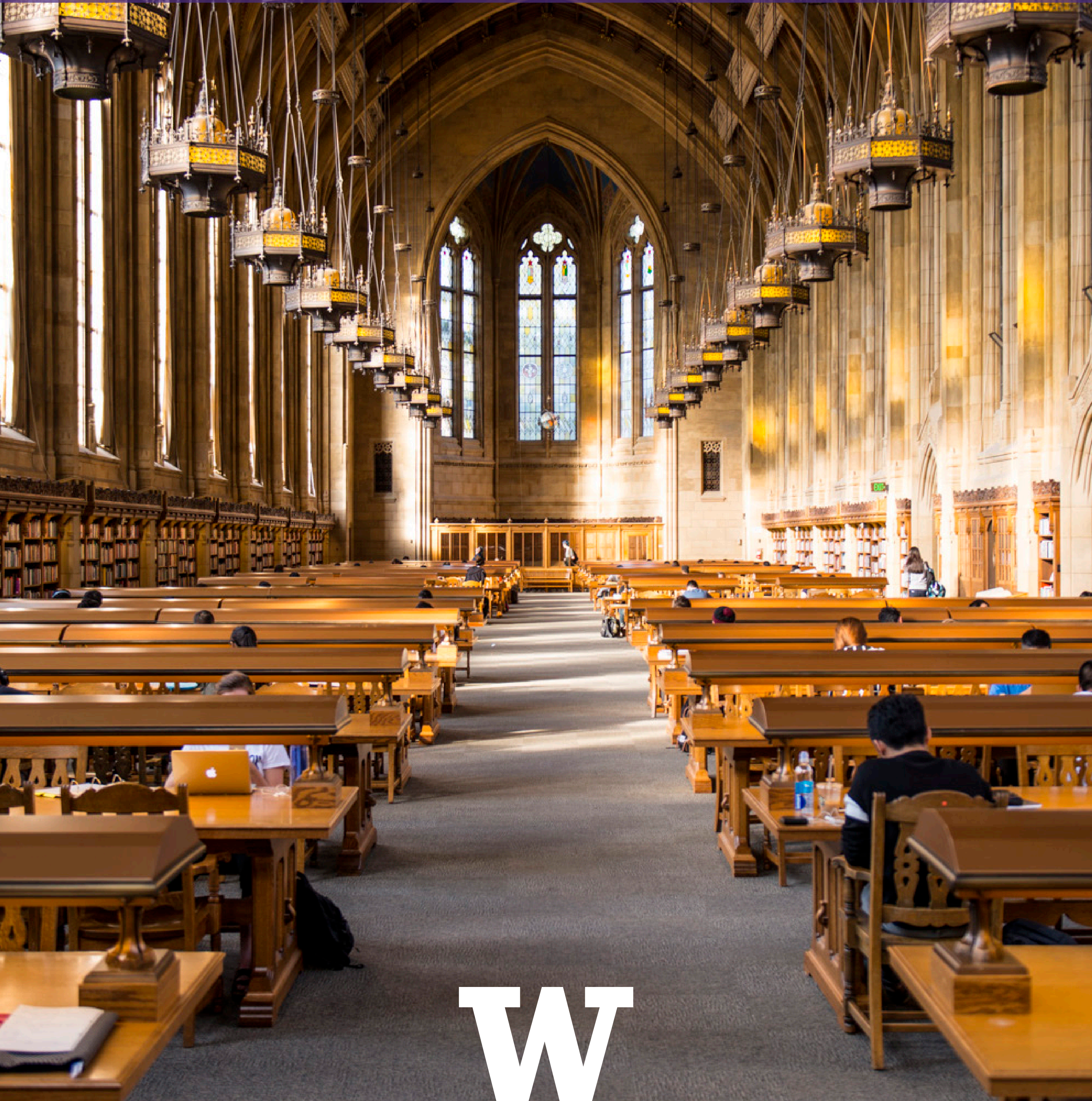
2023 FINANCIAL REPORT

UNIVERSITY *of* WASHINGTON



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University Facts

	FISCAL YEAR 2023 Academic Year 2022-2023	FISCAL YEAR 2018 Academic Year 2017-2018	FISCAL YEAR 2013 Academic Year 2012-2013
STUDENTS			
Autumn Enrollment (headcount)			
Undergraduate	42,616	41,670	36,785
Graduate	15,265	14,059	12,782
Professional	2,200	2,126	1,999
TOTAL	**60,081**	**57,855**	**51,566**
Professional and Continuing Education - Course and Conference Registrations	72,416	79,503	74,922
Number of Degrees Awarded			
Bachelor's	11,532	11,179	9,782
Master's	5,297	4,514	3,906
Doctoral	886	820	763
Professional	595	551	566
TOTAL	**18,310**	**17,064**	**15,017**
FACULTY[1]	5,731	4,380	4,356
FACULTY AND STAFF[2]	35,331	30,932	26,315
RESEARCH FUNDING - ALL SOURCES *(in thousands of dollars)*	$ 1,872,371	$ 1,350,767	$ 1,122,933
SELECTED REVENUES *(in thousands of dollars)*			
Medical Centers and Related Revenues[3]	$ 5,990,964	$ 2,710,758	$ 1,971,451
Gifts, Grants and Contracts	2,095,595	1,627,139	1,412,541
Auxiliary Enterprises and Other Revenues	1,263,027	660,442	814,408
Tuition and Fees[4]	1,158,213	989,912	808,053
State Operating Appropriations	531,999	362,267	218,165
Investment Income	437,589	404,412	341,241
SELECTED EXPENSES *(in thousands of dollars)*			
Medical-Related[3]	$ 5,211,127	$ 2,335,063	$ 1,785,696
Instruction, Academic Support, and Student Services	2,638,945	1,981,058	1,285,489
Institutional Support and Physical Plant	1,153,596	836,674	407,381
Research and Public Service	1,150,654	834,139	803,981
Auxiliary Enterprises	705,916	494,956	203,615
CONSOLIDATED ENDOWMENT FUND[5] *(in thousands of dollars)*	$ 4,940,000	$ 3,407,000	$ 2,347,000
SQUARE FOOTAGE[6] *(in thousands of square feet)*	29,500	25,700	21,773

1. Prior to 2018, this number represents headcount for core faculty (Professorial, Instructional and Research). Starting in 2018, this number represents full time faculty from all campuses including the Medical Centers.
2. Full time equivalents – restated (historically) using centralized data source and enterprise definitions
3. Includes discrete component units (Fred Hutchinson Cancer Center in 2023 only)
4. Net of scholarship allowances of $181.0 million in 2023, $154.9 million in 2018 and $135.4 million in 2013
5. Stated at fair value
6. Gross square footage, all campuses

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Independent Auditors' Report

The Board of Regents
University of Washington:

Opinions

We have audited the financial statements of the business-type activities, the fiduciary activities, and the aggregate discretely presented component units of the University of Washington (the University), which comprise the statements of net position and statements of fiduciary net position as of and for the years ended June 30, 2023 and 2022, 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 for the years then ended as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University of Washington, as of June 30, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

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

Emphasis of Matter

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 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 units. They do not purport to, and do not, present fairly the financial position of the state of Washington as of June 30, 2023 and 2022, 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.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 6 through 18, and the schedule of required supplementary information on pages 75 through 82, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

KPMG LLP

Seattle, Washington
October 31, 2023

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Management’s Discussion & Analysis

The discussion and analysis below provides an overview of the financial position and activities of the University of Washington ("University") for the fiscal years ended June 30, 2023 and 2022, with comparative financial information for 2021. 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 2023

The University recorded a $894 million increase in net position in 2023 compared to an increase of $473 million in 2022. The 2023 operating loss increased $736 million from the prior year, as operating expenses increased 14% and outpaced operating revenues that grew by 4%. The increase in salary and benefit expenses in fiscal year 2023 made more than half of the increase in operating expenses. This was offset by an increase in nonoperating revenues from the prior year, driven by a significant turnaround in investment performance.

Key Financial Results

(in millions)	2023	2022	2021
Total operating revenues	$ 7,101	$ 6,849	$ 5,900
Total operating expenses	7,969	6,981	6,300
Operating loss	(868)	(132)	(400)
State appropriations	532	485	481
Gifts	182	218	215
Investment income (loss)	438	(469)	1,318
Other nonoperating revenues, net	610	371	360
Increase in net position	894	473	1,974
Net position, beginning of year	8,354	7,881	5,907
Net position, end of year	**$ 9,248**	**$ 8,354**	**$ 7,881**

Operating Revenues

Operating revenues increased $252 million, or 4%, in 2023. Revenue from patient services increased $121 million million, or over 5%, primarily due to higher admissions and occupancy. Grant and contract revenue increased $203 million, or 12%, over 2022, while student tuition and fees increased $33 million, or 3%. Sales and services of educational departments decreased $131 million due to School of Medicine programs, due in part to Lab Medicine - Pathology, which saw lower demand for COVID-19 testing activities compared to prior year. The University's auxiliary operations, which includes student housing and food services and intercollegiate athletics among others, showed revenue decreases totaling $32 million over the prior year. These were offset by an increase in other operating revenues of $57 million mainly due to an increase in contract pharmacy revenues.

Operating Expenses

Operating expenses increased $988 million, or 14%, in 2023. Staff salaries and benefits increased $527 million during the year, due to the impact of higher costs associated with salaries and employer-paid healthcare benefits. Fiscal year 2022 saw a decrease in benefits due to reduced expenses associated with pensions of $191 million, which was not experienced at the same levels in fiscal year 2023. Purchased services expense increased $162 million, or 15%, primarily driven by increased activities associated with medical operations and research programs at $128 million along with growth in travel costs of $32 million, which has returned to pre-pandemic level volume and increase in per diem rates resulting from inflation.

Nonoperating Revenues

Revenues from nonoperating and other sources, net of interest on capital-related debt, increased $1,037 million, or 306%, in 2023. Investment results were the primary driver, increasing $907 million, or 193%, in 2023 driven by change in fair value of investments resulting in non-cash unrealized gains. Other nonoperating revenues increased $120 million, driven by an increase of $81 million in financial alignment income from Fred Hutchinson Cancer Center and federal COVID-19 funding received by the University (see below).

COVID-19

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

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

In total, the University has recorded revenues of $55 million, $162 million, and $175 million in fiscal years 2023, 2022 and 2021, respectively, in relation to this COVID-19 support. These amounts exclude amounts received by Harborview Medical Center, and the University's discrete component units, Valley Medical Center and Fred Hutchinson Cancer Center.

Changes in Accounting Standards

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

Statement No. 96, "SBITAs"- This Statement was effective for fiscal year 2023, and changed the accounting and financial reporting for Subscription-Based Information Technology Arrangements (SBITA). This Statement applies to contracts that convey the right to use another party's information technology software as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. Governments should recognize a right-to-use (ROU) subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. As a result of the implementation, the University has applied the standard retroactively to the period ending June 30, 2022. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2022 have been restated to conform with the requirements of this Statement and the current year presentation.

Statement No. 87, "Leases" - This Statement was effective for fiscal year 2022, and changed the accounting and financial reporting for leases by establishing a single model for lease accounting based on the foundational principle that leases represent a financing transaction associated with the right to use an underlying asset. This Statement applies to contracts that convey the right to use a non-financial asset in an exchange or exchange-like transaction for a term exceeding 12 months. Lessees are now required to recognize a lease liability and an intangible ROU lease asset, and lessors are required to recognize a lease receivable and a deferred inflow of resources. As a result of the implementation, the University has applied the standard retroactively to the period ending June 30, 2021, which resulted in the addition of over $1 billion to the University's assets ($700 million ROU assets added to "capital assets, net," $334 million added to "lease receivables, net of current portion" and $43 million added to "accounts receivable" for the current portion of lease receivables). GASB 87 also added over $1 billion to the University's 2021 liabilities and deferred inflows ($720 million of lease liabilities added to "long-term liabilities, and $367 million added to "deferred inflows of resources").

Prior Period Adjustment

In fiscal year 2023, an accounting error was discovered which resulted in an understatement of operating revenues and operating expenses of $295 million, respectively, in fiscal year 2022. In addition, accounts receivable and accounts payable were understated by $2 million. There was no impact to net position. The error originated in the treatment of revenues and expenses related to physician compensation paid to faculty and the subsequent reimbursements from other parties. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2022 have been restated to reflect the correction.

Changes in Reporting

Formation of Fred Hutchinson Cancer Center

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

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

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 for 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, 2023 and 2022). 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, 2023 and 2022). 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, 2023 and 2022). 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, 2023 and 2022).
- 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, 2023 and 2022).
- 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. In fiscal year 2022, Fred Hutchinson Cancer Center, a nonprofit organization focused on adult oncology research and care, was formed and clinically integrated with the University. GASB standards require that these entities be presented as discrete component units of the University; therefore, the financial position at June 30, 2023 and 2022, and results of operations for the fiscal years ended June 30, 2023 and 2022, are reported in a separate column for financial statement presentation purposes (see note 1 to the financial statements).

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

Financial Health

STATEMENTS OF NET POSITION

A summarized comparison of the University's assets, liabilities, deferrals and net position as of June 30, 2023, 2022 and 2021 is shown below:

Summarized Statements of Net Position

(in millions)	**2023**	**2022**	**2021**
Current assets	$ 3,092	$ 2,756	$ 2,754
Noncurrent assets:			
Capital assets, net	6,186	5,942	5,810
Investments, net of current portion	6,653	6,746	6,833
Other	1,386	2,131	815
Total assets	17,317	17,575	16,212
Deferred outflows	1,030	788	742
Total assets and deferred outflows	18,347	18,363	16,954
Current liabilities	1,647	1,703	1,686
Noncurrent liabilities:			
Bonds payable	2,289	2,387	2,407
Pensions and OPEB	1,662	2,190	2,256
Other	1,270	1,262	1,138
Total liabilities	6,868	7,542	7,487
Deferred inflows	2,232	2,467	1,586
Total liabilities and deferred inflows	9,100	10,009	9,073
Net position	**$ 9,248**	**$ 8,354**	**$ 7,881**

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 $1,445 million in 2023, and $1,053 million in 2022, reflects the continuing ability of the University to meet its short-term obligations.

Current assets increased $336 million, or 12%, in 2023, driven by $222 million increase in short-term investments. The federal funds rate increased substantially in fiscal year 2023 resulting in short-term securities becoming more attractive to hold with a higher yield and not be subject to interest rate risk. Accounts receivable, net of allowances, increased $124 million mainly due to receivables for state appropriation which were received in July and an increase in receivables related to pending sales of investments.

Current assets were mostly unchanged in 2022, as a $124 million increase in short-term investments and a $21 million increase cash and cash equivalents offset by a $150 million decrease in accounts receivable, which resulted primarily from a decrease in amounts due from pending sales of investments.

Current liabilities decreased $56 million, or 3%, in 2023, mainly due to lower accounts payable of $79 million resulting from an increase in payment processing during the final months of fiscal year 2023 in preparation for the implementation of the new Workday system. Current liabilities increased $17 million, or 1%, in 2022. The increase was driven by $51 million increase in current portion of lessee lease liabilities resulting from the implementation of GASB 87, $14 million increase from first time recognition of the current portion of subscription liabilities from the implementation of GASB 96, and an increase in accounts payable at $73 million. This increase was offset by a $48 million decrease in unearned revenue at $44 million.

Noncurrent assets decreased $594 million, or 4%, in 2023. Net pension assets decreased $704 million during the year primarily due to the change in value of plan assets. The significant increase in investment value from the prior year measurement period did not repeat itself in the current year measurement period. Noncurrent assets increased $1,361 million, or 10%, in 2022. Net pension assets increased $1,129 during the year, reflecting unusually strong investment returns during the 2021 measurement period of the retirement plans administered by the Department of Retirement Systems (DRS). $170 million of the increase in noncurrent assets primarily reflects the difference between recording the new investment in FHCC during fiscal year 2022 for $429 million, and removal of the $259 million equity share of the SCCA joint venture which merged with FHCC and was recorded in "other noncurrent assets". The difference between these values primarily reflects the University's $143 million note payable to FHCC for the 50% portion of the Seattle Children's Healthcare System (SCHS) membership in SCCA.

Noncurrent liabilities decreased $618 million, or 11% in 2023 mainly driven by a decrease of $615 million in other post-employment benefits liability. This decrease primarily reflects changes in actuarial assumptions, which reduced the post-employment benefits liability but in turn increased the deferred inflows related to other post-employment benefits.

Noncurrent liabilities increased $38 million, or 1%, in 2022. The University's liability for other post-employment benefits increased $165 million during the year, primarily reflecting an increase in the University's proportionate share of the statewide plan. Long-term liabilities, net of current portion increased $72 million, driven by recording the $143 million payable to FHCC for the University's 50% portion of SCHS membership in SCCA. The long-term portion of the reserve for self-insurance also increased $44 million, and was offset by a decrease in items related to COVID-19 funding. Pension liabilities decreased $231 million, driven by the pension plans administered by the DRS which turned to net pension assets during the year as a result of investment gains on plan assets during the 2021 measurement period.

Deferred outflows of resources and deferred inflows of resources primarily represent pension and OPEB-related deferrals, lease-related deferrals, subscription-related deferrals, and the University's remainder interest in split-interest agreements. The increase in deferred outflows of $242 million, or 31%, in 2023 is mainly seen in the deferred outflows related to pensions driven by a decrease in the investment rate of return in actuarial assumptions for the retirement plans administered by the Department of Retirement Systems (DRS). The increase in deferred outflows of $46 million, or 6%, in 2022 primarily pertains to OPEB, which experienced a $35 million increase due to the University's larger proportionate share of the state's overall plan results.

Deferred inflows decreased by $235 million, or 10%, in 2023, driven by a $729 million decrease to the pension plans administered by the DRS, which report results on a one-year lag. The difference between projected and actual investment earnings on pension plan investments contributed to the decrease in deferred inflows due to lower investment earnings during the fiscal year 2022 measurement period. This decrease was offset by a $599 million increase in the other post-employment benefit plan deferred inflows due to changes in actuarial assumptions. Deferred inflows increased $881 million, or 56%, in 2022, primarily due to an over $1 billion increase attributable to the pension plans administered by the DRS, which report results on a one-year lag. Better than expected returns on DRS plan assets during the fiscal year 2021 measurement period decreased the net pension liability, turning it into a net pension asset for fiscal year 2022. The associated increase to the deferred inflow for these plans is recognized as a reduction of pension expense in the current and future year

Endowment and Other Investments

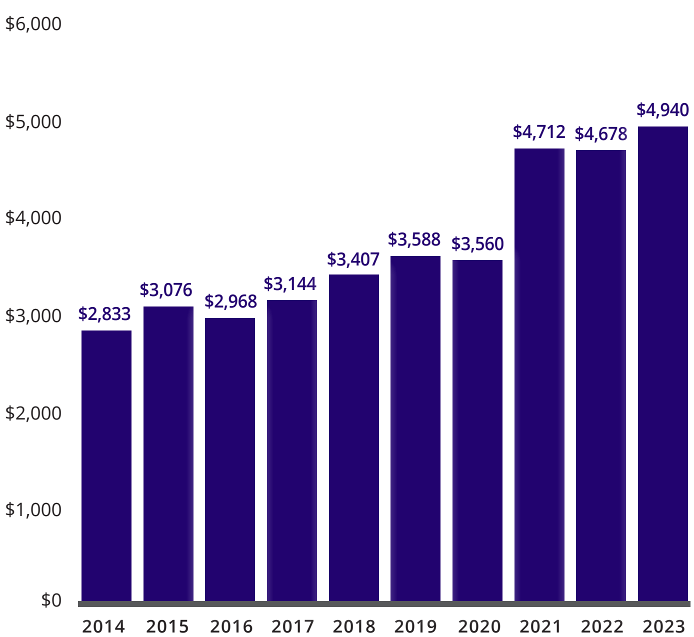
Investment returns provide an important source of revenue for the University's programs. Among the funds invested by the University are endowments, operating reserves, life income trusts, annuities and gifts.

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 4,211 at June 30, 2014 to 5,712 at June 30, 2023. The market value of the CEF has similarly increased, from $2.8 billion at June 30, 2014 to $4.9 billion at June 30, 2023.

Consolidated Endowment Fund Market Value
(in millions)



The CEF Investment Policy's spending rate distributes quarterly to programs based on an annual percentage rate of 3.6%, applied to the five-year rolling average of the CEF's market value. Additionally, the CEF Investment Policy allows for an administrative fee of 0.90% supporting campus-wide fundraising and stewardship activities and offsetting the internal cost of managing endowment assets.

For the fiscal year ended June 30, 2023, the CEF returned +6.0% versus +11.3% for the passive benchmark. While overall relative performance lagged, the CEF had positive absolute performance in fiscal year 2023 across most portfolio strategies. The CEF's Developed Markets strategy led absolute returns this year as the US market rallied, driven by a handful of large cap technology stocks. The CEF's Emerging Markets, especially China, underperformed significantly and Private Equity lagged public markets. Capital Preservation strategies outperformed despite government bonds posting a slightly negative return due to rising interest rates strategies.

A portion of the University's operating funds are invested in the CEF. As of June 30, 2023, these funds comprise $1,082 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 2023 included $124 million for the Behavioral Health Teaching Facility, $50 million for UW Finance Transformation, $39 million for the Academic STEM building located on the Bothell campus, and $21 million toward the interdisciplinary Engineering Building.

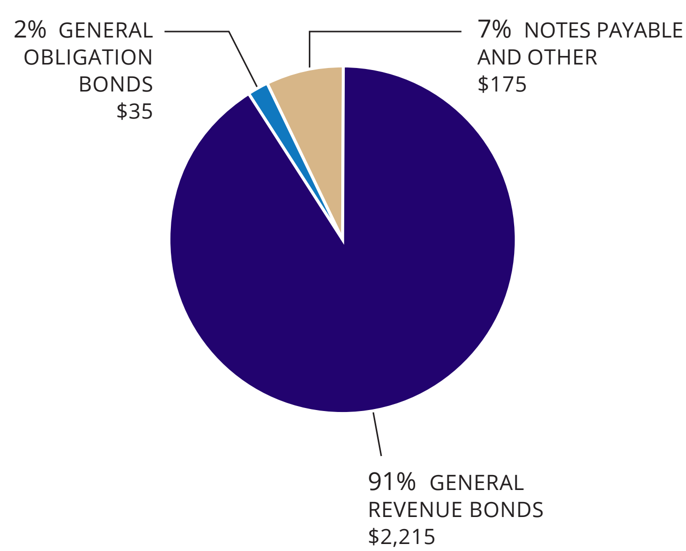
See note 8 for additional information regarding capital asset activity.

Debt

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

The University's debt portfolio consists primarily of fixed-rate debt in the form of General Revenue Bonds, Lease Revenue Bonds and state-issued General Obligation Bonds. As of June 30, 2023, the University had $2.4 billion of bonds and notes payable outstanding, an increase of 4.0% from June 30, 2022.

Bonds and Notes Payable
(in millions)



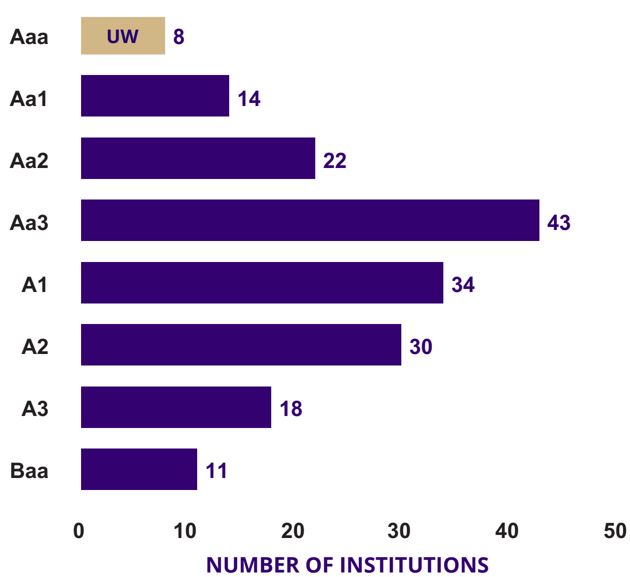
The University did not issue General Revenue Bonds in fiscal year 2023.

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, 2023, there was $44 million in commercial paper outstanding.

In March 2023, the University had two separate $100 million lines of credit to provide general institutional liquidity. $100 million was outstanding on one line of credit at the fiscal year end. Subsequently, on July 27, 2023, the outstanding balance was repaid prior to the expiration date of August 1, 2023. The second $100 million line of credit remains in place and is undrawn.

During fiscal year 2023, Moody's (Aaa, Stable) and Standard & Poor's (AA+, Stable) reaffirmed the University's credit ratings. The University's short-term credit ratings were also affirmed at P-1 (Moody's) and A-1+ (Standard & Poor's).

Moody's Fiscal Year 2022
Public College and University Rating Distribution
(As of the June 2023 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 2024 has authorized up to $312 million, which includes up to $180 million for the payoff of commercial paper used to fund the Finance Transformation Project on an interim basis. Any increase, other than debt issued to achieve debt service savings and/or to remarket a put or term bond, would require additional approval by the Board.

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

Net Position

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

The University reports its "equity" in four categories:

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

The University's net position at June 30, 2023, 2022 and 2021 is summarized as follows:

Categories of Net Position

(in millions)	2023	2022	2021
Net investment in capital assets	$ 2,908	$ 2,707	$ 2,616
Restricted:			
Nonexpendable	2,206	2,054	1,996
Expendable	3,091	2,874	3,086
Unrestricted	1,042	719	183
Total net position	**$ 9,248**	**$ 8,354**	**$ 7,881**

Net investment in capital assets increased $201 million, or 7%, in 2023 and $91 million in 2022. This balance typically increases as debt is repaid, or when the University funds fixed asset purchases without the use of external financing, for example by using internal reserves. This balance decreases as assets are depreciated.

Unaudited – see accompanying notes to financial statements

Restricted nonexpendable net position increased $152 million, or 7%, in 2023 primarily from the receipt of $106 million of new endowment gifts. This category of net position increased $58 million, or 3%, in 2022 primarily as a result of receiving $83 million in new endowment gifts during the year, offset by a $36 million decrease in the value of endowments that have a market value less than their cost basis.

Restricted expendable net position increased $217 million, or 8%, in 2023. New operating and capital gifts increased by $239 million, Pell Grants grew by $49 million along with increasing other non-operating revenues of $101 million. These were offset by operating losses of $57 million and an increase of $106 million in unrealized losses (net of realized gains) on restricted investments, including endowments. This category of net position decreased $212 million, or 7%, in 2022. Unrealized losses (net of realized gains) on restricted investments, including endowments, increased $294 million during the year and operating losses were $205 million. These were offset by $248 million in new operating and capital gifts and $49 million of Pell Grants.

Unrestricted net position increased $323 million, or 45%, in 2023. State operating and capital appropriations contributed $733 million as well as $583 million of investment income on unrestricted investments. These amounts were offset by $865 million of operating losses and $111 million of interest on capital asset-related debt. This category of net position increased $536 million, or 293%, in 2022. State operating and capital appropriations contributed $612 million, and amounts received to support the University's response to the COVID-19 pandemic totaled $99 million. These were offset by $122 million of investment losses on unrestricted investments, and $108 million of interest on capital asset-related debt.

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.

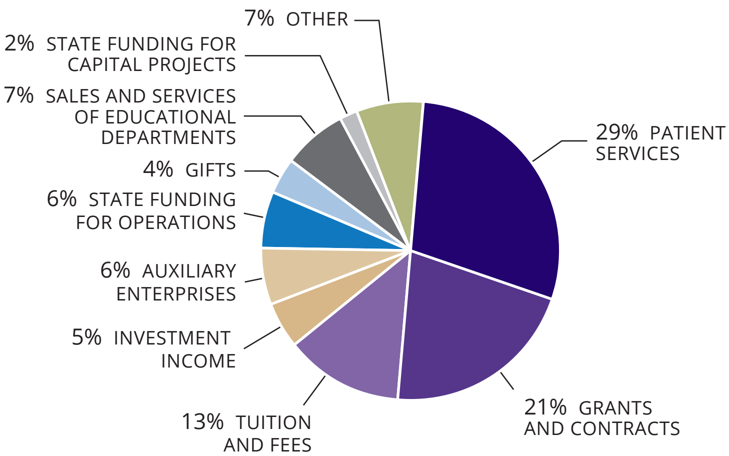
A condensed comparison of the University's revenues, expenses and changes in net position for the years ended June 30, 2023, 2022 and 2021 follows:

Operating Results

(in millions)	2023	2022	2021
Net patient services	$ 2,564	$ 2,443	$ 2,208
Tuition and fees, net	1,158	1,125	1,033
Grants and contracts	1,865	1,662	1,567
Other operating revenues	1,514	1,619	1,092
Total operating revenues	7,101	6,849	5,900
Salaries and benefits	4,663	4,136	3,748
Other Operating Expenses	3,306	2,845	2,552
Operating loss	**(868)**	**(132)**	**(400)**
State appropriations	532	485	481
Gifts	182	218	215
Investment income (loss)	438	(469)	1,318
Other nonoperating revenues	721	480	471
Interest on capital asset-related debt	(111)	(109)	(111)
Increase in net position	**$ 894**	**$ 473**	**$ 1,974**

The University's operating loss increased to $868 million in 2023, from $132 million in 2022. 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 loss of $336 million in 2023, and an operating income of $353 million in 2022. The University has a diversified revenue base. No single source generated more than 29% of the total fiscal year 2023 revenues of $9.0 billion.

Sources of Funds



The following table summarizes operating and nonoperating revenues from all sources for the years ended June 30, 2023, 2022 and 2021:

Revenues from All Sources

(in millions)	2023		2022		2021	
Net patient services	$ 2,564	29%	$ 2,443	34%	$ 2,208	26%
Grants and contracts	1,925	21%	1,723	24%	1,628	20%
Tuition and fees, net	1,158	13%	1,125	15%	1,033	12%
Sales and services of educational departments	662	7%	792	7%	463	6%
State funding for operations	532	6%	485	7%	481	6%
Auxiliary enterprises	523	6%	555	7%	309	4%
Investment income (loss)	438	5%	(469)	(6)%	1,318	16%
Gifts	355	4%	344	5%	332	4%
State funding for capital projects	201	2%	128	2%	70	1%
Other	614	7%	437	5%	543	5%
Total revenue - all sources	**$ 8,972**	**100%**	**$ 7,563**	**100%**	**$ 8,385**	**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 two joint ventures. These entities, together with Harborview Medical Center (not included in the University's financial statements – see note 17) and shared services providing IT, accounting, financial services and human resources comprise UW Medicine. UW Medicine is governed and administered as an enterprise of the University whose mission is to improve the health of the public. UW Medicine advances this mission through work in patient care, medical education of physicians and other healthcare providers, and research.

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

UW Medical Center (UWMC) is an 810-bed hospital located on two campuses that provides comprehensive healthcare services to the Puget Sound community and patients from throughout the Pacific Northwest and beyond. UWMC also serves as the major clinical, teaching and research site for students and faculty in Health Sciences at the University. More than 29,000 patients receive inpatient care at UWMC each year. Specialized inpatient care needs are met by the Cancer Center, the Regional Heart Center, the Neonatal Intensive Care Unit and the Organ Transplantation program, among others.

Valley Medical Center (VMC) is a 341-bed acute care hospital and network of clinics that treats more than 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 as part of the discrete component units column on the financial statements of the University.

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

UW Medicine Primary Care 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 158 healthcare providers.

UW Physicians (UWP) is the physician practice group for more than 2,800 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 currently a participant in two joint ventures: Seattle Cancer Care Alliance (until March 31, 2022), Children's University Medical Group and Embright, LLC. The University's share of these activities is reflected in the University's financial statements.

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

In combination, these organizations (not including VMC or FHCC) contributed $2.6 billion in net patient services revenue in fiscal year 2023, compared with $2.4 billion in fiscal year 2022, an increase of $121 million, or 5%, primarily due to strong volumes and the outpatient directed payment program which is a new program managed by the Washington State Health Care Authority effective January 1, 2023. UWMC generated 79% of this revenue in 2023 and 75% in 2022. UWMC admissions were 29,001 in 2023 compared with 27,583 in 2022, an increase in admissions of 5%. Surgeries increased 9% for UWMC in fiscal year 2023 compared to fiscal year 2022.

Grant and Contract Revenue

One of the largest sources of revenue (21%) 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 $202 million in 2023, compared to an increase of $95 million in 2022.

Federal grant and contract revenue increased $107 million, or 9%, in 2023. The National Institutes of Health (NIH) funding increased from both direct grants and pass through awards. These grants continue to provide funding and support for a variety of biomedical research initiatives. Other increases came from the new US Navy awards to conduct oceanic acoustic systems research and a CDC subcontract for a large COVID vaccine trial. Federal grant and contract revenue increased $81 million, or 7%, in 2022 due primarily to the continued increase in NIH funding from both direct grants and subawards. These grants provided approximately $50 million in funding and support for a variety of biomedical research initiatives. Also, the FEMA (Federal Emergency Management Agency) subcontract from the Washington State Military provided an additional $42 million in funding to assist with the University's response to COVID-19 in fiscal year 2022.

State and local grant and contract revenue increased $22 million, or 15%, in 2023 as the Washington State College and Bridge grants saw an increase of funding along with an increase in capital projects and Washington State Department of Health initiatives. State and local grant and contract revenue decreased $7 million, or 5%, in 2022 as several state grants ended or had a reduction in funding.

Nongovernmental grant and contract revenue increased $73 million, or 24%, in 2023. The Bill and Melinda Gates Foundation continued to support many research initiatives including a large project for HIV prevention. There was also a broad increase in new awards across a variety of private sector entities enabling the continued success of the University's global research portfolio. Nongovernmental grant and contract revenue increased $21 million, or 7%, in 2022. The Bill & Melinda Gates Foundation continued to increase funding with a large project for HIV prevention along with sustained support for the Institute for Health Metrics and Evaluation's (IHME) Global Burden of Disease (GBD) enterprise. The GBD provides a tool to quantify health loss from hundreds of diseases, injuries, and risk factors and aims to improve health systems and eliminate disparities.

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 2023 and 2022 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)	2023		2022		2021	
Operating tuition and fees	$ 784	47%	$ 765	48%	$ 694	46%
Fees for self-sustaining educational programs	374	22%	360	22%	339	22%
Subtotal - tuition and fees, net	1,158	69%	1,125	70%	1,033	68%
State operating appropriations	532	31%	485	30%	481	32%
Total educational support	**$1,690**	**100%**	**$1,610**	**100%**	**$1,514**	**100%**

Noncapital state appropriations are considered nonoperating revenue under GASB principles, and are reflected in the nonoperating section of the Statements of

Revenues, Expenses and Changes in Net Position; however, they are used solely to fund operating activities.

Revenue from tuition and fees, net of scholarship allowances, increased $33 million in 2023, compared to an increase of $92 million in 2022. This increase was partially due to the state allowing a 2.4% operating fee increase in resident undergraduate tuition during the year. Nonresident undergraduate operating fees also increased 2.4%, while tuition-based graduate and professional program rates increased 0-5%. Most fee-based program rates increased 0-5% in 2023. These other fee increases were consistent with those implemented during 2022.

Revenue growth was also partly due to modest increases in student enrollment. Although full-time equivalent (FTE) enrollment in 2023 in undergraduate tuition-and fee-based programs decreased by 1.3% in the resident student category, it increased by 3.9% in the nonresident student category.

Self-sustaining educational programs (fee-supported programs) include the following amounts for each of the fiscal years 2023, 2022 and 2021: Continuum College (the continuing education branch of the University) $142 million, $141 million and $133 million, respectively, summer quarter tuition $68 million, $68 million and $62 million, respectively, and for Business School and School of Medicine programs $77 million, $74 million and $69 million, respectively.

Gifts, Endowments and Investment Revenues

Net investment income (loss) for the years ended June 30, 2023, 2022 and 2021 consisted of the following:

Net Investment Income

(in millions)	2023	2022	2021
Interest and dividends, net	$ 86	$ (4)	$ 73
Seattle Cancer Care Alliance change in equity	—	23	51
Realized gains	113	238	90
Unrealized gains (losses)	238	(726)	1,104
Net investment income (loss)	**$ 437**	**$ (469)**	**$ 1,318**

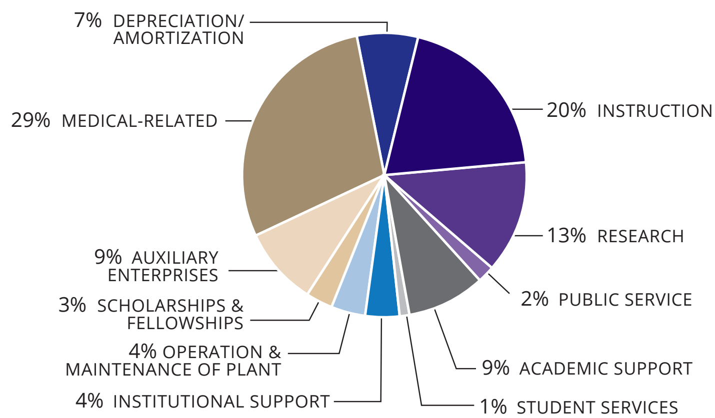
Net investment income increased $907 million, or 193%, in 2023 compared to a decrease of $1,787 million, or 136%, in 2022. The swing to unrealized gains in fiscal year 2023 drove this result, and was in contrast to the rise in unrealized losses which drove results in 2022. Returns on the CEF were +6.0% in 2023, -5.5% in fiscal year 2022, and +35.1% in fiscal year 2021.

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 $36 million in 2023, but increased $3 million in 2022. Capital gifts increased $32 million in 2023 and decreased $15 million in 2022. Gifts to permanent endowments increased $14 million in 2023, compared to an increase of $25 million in 2022.

Expenses

Two primary functions of the University, instruction and research, comprised 33% of total operating expenses in 2023. These dollars provided instruction to over 60,000 students and funded over 5,500 research awards. Medical-related expenses, such as those related to patient care, continue to be the largest individual component, accounting for 28% of the University's total operating expenses in 2023.

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, 2023, 2022 and 2021 is shown in the table at the top of the next column.

Overall, the University's operating expenses increased $988 million, or 14%, in 2023 and increased $681 million, or 11%, in 2022. Approximately 59% of amounts incurred for operating expenses in 2023 and 2022, were related to faculty and staff compensation and benefits.

In 2023, expense associated with faculty and staff salaries increased $266 million, or 8%, which was attributed to a growth in FTE's as well as wage increases and overall increasing costs due to the competitive labor market. UW Medicine reached historic agreements with its four largest labor union partners that included incremental pay increases that are the largest UW Medicine has ever negotiated.

Operating Expenses by Function

(in millions)	2023		2022		2021	
INSTRUCTION	$1,627	20%	$1,533	22%	$1,403	23%
RESEARCH	1,004	13%	920	13%	820	13%
PUBLIC SERVICE	146	2%	107	2%	87	1%
ACADEMIC SUPPORT	743	9%	641	9%	551	9%
STUDENT SERVICE	58	1%	51	1%	51	1%
INSTITUTIONAL SUPPORT	316	4%	125	2%	259	4%
OPERATION & MAINTENANCE OF PLANT	314	4%	304	4%	326	5%
SCHOLARSHIPS & FELLOWSHIPS	211	3%	213	3%	192	3%
AUXILIARY ENTERPRISES	706	9%	622	9%	516	8%
MEDICAL-RELATED	2,417	28%	2,002	28%	1,645	27%
DEPRECIATION/ AMORTIZATION	523	7%	463	7%	450	6%
Total operating expenses	**$7,969**	**100%**	**$6,981**	**100%**	**$6,300**	**100%**

Benefits expense increased $261 million, or 40% in 2023. Pension expense related to the University's share of the retirement plans administered by the Department of Retirement Systems increased by $232 million during 2023. Fiscal year 2022 experienced a significant decrease driven by unusually strong investment gains on plan assets during the 2021 measurement period. This did not occur in 2023. Also contributing to the increase in total benefits expense during 2023 was a 21% increase in the premium rate paid by the University for employee healthcare, the largest component of overall employee benefit costs.

Purchased services increased $162 million, or 15%, in 2023, primarily driven by increased activities and costs associated with medical operations and research programs , and higher travel costs.

In 2022, expense associated with faculty and staff salaries increased $586 million, or 20% partly reflecting a return to more normal business operations compared with impacts from the COVID-19 pandemic the prior year. An over 3% increase in University FTE's, together with a return to annual merit increases for professional staff which had been paused during the COVID-19 pandemic, and overall increasing costs due to the competitive labor market, contributed to the increase.

Benefits expense decreased $198 million, or 23% in 2022. Pension expense related to the University's share of the retirement plans administered by the Department of Retirement Systems decreased $286 million during 2022, driven by unusually strong investment gains on plan assets during the 2021 measurement period. Also contributing to the decrease in total benefits expense during 2022 was a greater than 4% reduction in the premium rate paid by the University for employee healthcare, the largest component of overall employee benefit costs.

Purchased services increased $201 million, or 22%, in 2022, driven primarily by increased activities associated with medical operations and research programs ($191 million), and higher travel cots due to lifting of COVID-19 mandated travel restrictions ($22 million).

Economic Factors That May Affect the Future

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

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

STATE OPERATING AND CAPITAL APPROPRIATIONS

The state of Washington, which provided approximately 8% of the University's total revenues in fiscal year 2023, continued to see increasing state tax collections; however growth has slowed. In recent biennia, growth in state tax collections and new revenue have largely been utilized to combat the strains that the COVID-19 pandemic and rising inflation have placed on our health care and education systems. With this focus, the legislature continued to make significant investments in the University's safety net hospitals, as well as science, technology, engineering and math (STEM) enrollments across all three University campuses.

During the 2023 legislative session, the state passed a biennial operating budget, which included significant appropriations in the 2023-25 biennium (effective for fiscal years 2024 and 2025). State revenue forecasts leading up to the start of the 2023 session showed positive collections, but indicated that economic growth was slowing. The state's Economic and Revenue Forecast Council (ERFC) reported a surplus of $681 million ahead of the 2023 legislative session. As the session progressed, revenue projections for the 2023-25 biennium were revised downward by $483 million. Despite this trend, state lawmakers authorized compensation increases for UW non-represented faculty and staff in fiscal years 2024 and 2025. The operating budget included more than 40 new provisos (direct funding allocations with specific conditions such as program expansions or research projects) to the University, in addition to base funding provided across the biennium.

The June 2023 revenue forecast revised state revenue projections slightly upward for the 2023-25 biennium, which increased by $327 million and represented an 2.4% increase over the 2021-23 biennium. The ERFC continued to caution that revenue collections have slowed and noted that their projections assumed that the Federal Reserve would raise interest rates to a range of 5.25-5.5%. The University will continue to monitor state revenue collections as new revenue forecasts are released in September and November of 2023.

The University's fiscal year 2024 general operating appropriation from the state (excluding $80 million appropriated on a one-time basis to support safety net hospitals) currently totals approximately $503 million. This amount is an increase from approximately $470 million in 2023 and $437 million in 2022. Recent increases are largely attributable to compensation increases for non-represented faculty and staff, hospital safety net funding for UWMC, and targeted investments in student enrollment efforts in computer science and engineering.

During the 2015-17 biennium, the state approved a new tuition policy that reduced resident undergraduate tuition rates to 5% below the 2015 rates in 2016, and to 15% below the 2015 rates in 2017. The state provided funds to offset the lost tuition revenue in both years. The same tuition policy allowed for future increases tied to a rolling average of median hourly wage in the state according to the Bureau of Labor Statistics (BLS). Under this current policy, the state has allowed resident undergraduate tuition to increase by 2-3% in each year. While the legislature can always modify its policy, it has so far chosen to maintain it through the 2023-25 biennium. Therefore, the University's current expectation is that resident undergraduate tuition increases will continue to be limited to 2-3% each year in 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 2023-25 biennial capital budget provided funding for renovating the Magnuson Health Sciences T-Wing, Anderson Hall, and the UWMC NW Campus. The legislature also provided funding for design and construction of the wəɫəbʔaltxʷ (Intellectual House), and for UW Tacoma to purchase additional land around the existing campus.

UW MEDICINE

The federal COVID-19 Public Health Emergency declaration under the Public Health Service Act expired on May 11, 2023. UW Medicine continues to experience declining COVID-19 volumes, but the broad economic factors resulting from the pandemic continue to impact UW Medicine's patient volumes, case mix acuity, service mix, and revenue mix. Ongoing economic conditions, such as labor market wage and benefit pressure, supply chain and other inflationary pressures have also increased, and will continue to increase the UW Medicine's expenses and pressure hospital liquidity. Because of these factors and other uncertainties, management cannot estimate the severity of the aforementioned general economic and marketplace conditions, including the COVID-19 pandemic, on the UW Medicine's business.

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

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

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

Center for Behavioral Health and Learning at UWMC

UW Medicine and the Washington State legislature established the Center for Behavioral Health and Learning at UW Medical Center, which will be located on the Northwest campus. This center will serve the dual purposes of treating patients with behavioral health needs and training an integrated behavioral health workforce in the new 191,000-square-foot facility. The State awarded $234 million for the planning, design work, construction, and equipment necessary to build a new, first of its kind building. After delays due to a concrete strike in Seattle in 2022, the project was awarded an additional $10 million from the state to offset the impact of the concrete strike and escalation. The revised project budget is now $244 million. Construction has begun and the building is anticipated to be completed with patients being seen in the facility in calendar year 2024.

UW Finance Transformation

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

Financial Statements & Notes

STATEMENTS OF NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNITS	
	June 30,		June 30,	
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**2023**	**2022**	**2023**	**2022**
CURRENT ASSETS:				
CASH AND CASH EQUIVALENTS (NOTE 3)	$ 149,493	$ 162,736	$ 306,266	$ 441,708
INVESTMENTS, CURRENT PORTION (NOTE 7)	1,709,865	1,488,030	27,212	785,095
ACCOUNTS RECEIVABLE (NET OF ALLOWANCE OF $69,454 and $60,970) (NOTE 6)	1,153,426	1,028,572	304,282	306,027
OTHER CURRENT ASSETS	79,314	77,107	45,590	299,546
TOTAL CURRENT ASSETS	3,092,098	2,756,445	683,350	1,832,376
NONCURRENT ASSETS:				
DEPOSIT WITH STATE OF WASHINGTON (NOTE 4)	67,318	71,554	—	—
INVESTMENTS, NET OF CURRENT PORTION (NOTE 7)	6,652,515	6,746,299	1,156,077	149,908
STUDENT LOANS RECEIVABLE (NET OF ALLOWANCE OF $3,303 and $3,402) (NOTE 5)	39,520	42,368	—	—
OTHER NONCURRENT ASSETS (NOTE 1)	45,963	53,180	757,082	312,300
LEASE RECEIVABLES, NET OF CURRENT PORTION (NOTE 6, 11)	374,078	400,703	24,262	27,937
NET PENSION ASSETS (NOTE 12)	430,322	1,133,901	—	—
CAPITAL ASSETS (NET OF ACCUMULATED DEPRECIATION OF $6,511,538 and $6,099,989) (NOTE 8)	6,186,205	5,941,654	1,589,547	1,537,261
INVESTMENT IN FRED HUTCHINSON CANCER CENTER (NOTE 1)	428,827	428,827	—	—
TOTAL NONCURRENT ASSETS	14,224,748	14,818,486	3,526,968	2,027,406
TOTAL ASSETS	17,316,846	17,574,931	4,210,318	3,859,782
DEFERRED OUTFLOWS OF RESOURCES (NOTE 14)	1,030,436	788,441	11,804	12,926
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 18,347,282**	**$ 18,363,372**	**$ 4,222,122**	**$ 3,872,708**
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES				
CURRENT LIABILITIES:				
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES	$ 978,170	$ 1,056,845	$ 306,159	$ 311,862
UNEARNED REVENUES	216,168	264,822	—	—
OTHER CURRENT LIABILITIES	165,166	69,500	107,098	144,713
LONG-TERM LIABILITIES, CURRENT PORTION (NOTES 9,10)	287,470	311,623	58,386	42,949
TOTAL CURRENT LIABILITIES	1,646,974	1,702,790	471,643	499,524
NONCURRENT LIABILITIES:				
U.S. GOVERNMENT GRANTS REFUNDABLE	26,317	30,097	—	—
LONG-TERM LIABILITIES, NET OF CURRENT PORTION (NOTES 9, 10)	3,533,507	3,618,271	2,091,853	2,150,430
NET PENSION LIABILITIES (NOTE 12)	415,624	328,935	—	—
OTHER POST-EMPLOYMENT BENEFITS (NOTE 13)	1,246,057	1,861,478	—	—
TOTAL NONCURRENT LIABILITIES	5,221,505	5,838,781	2,091,853	2,150,430
TOTAL LIABILITIES	6,868,479	7,541,571	2,563,496	2,649,954
DEFERRED INFLOWS OF RESOURCES (NOTE 14)	2,231,102	2,467,357	48,992	54,332
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	**9,099,581**	**10,008,928**	**2,612,488**	**2,704,286**
NET POSITION				
NET INVESTMENT IN CAPITAL ASSETS	2,908,340	2,707,261	188,754	102,860
RESTRICTED:				
NONEXPENDABLE	2,205,790	2,053,755	136,368	117,649
EXPENDABLE	3,091,076	2,874,694	502,581	88,283
UNRESTRICTED	1,042,495	718,734	781,931	859,630
TOTAL NET POSITION	9,247,701	8,354,444	1,609,634	1,168,422
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 18,347,282**	**$ 18,363,372**	**$ 4,222,122**	**$ 3,872,708**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	UNIVERSITY OF WASHINGTON		DISCRETE COMPONENT UNITS	
	Year ended June 30,		**Year ended June 30,**	
REVENUES	**2023**	**2022**	**2023**	**2022**
OPERATING REVENUES:				
NET PATIENT SERVICE REVENUES (NET OF PROVISION FOR UNCOLLECTIBLE ACCOUNTS OF $33,417 and $25,348)	$ 2,564,243	$ 2,442,588	$ 1,974,067	$ 1,000,504
STUDENT TUITION AND FEES (NET OF SCHOLARSHIP ALLOWANCE OF $181,013 and $189,116)	1,158,213	1,125,269	—	—
FEDERAL GRANTS AND CONTRACTS	1,311,910	1,204,462	587,481	660,241
STATE AND LOCAL GRANTS AND CONTRACTS	171,848	149,504	—	—
NONGOVERNMENTAL GRANTS AND CONTRACTS	380,773	307,747	—	—
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	661,826	792,488	—	—
AUXILIARY ENTERPRISES:				
HOUSING AND FOOD SERVICES	159,182	155,893	—	—
SPORTS PROGRAMS (NET OF SCHOLARSHIP ALLOWANCE OF $9,771 and $8,581)	92,170	96,270	—	—
OTHER AUXILIARY ENTERPRISES	271,278	303,008	—	—
OTHER OPERATING REVENUE	329,139	272,021	614,603	192,081
TOTAL OPERATING REVENUES	**7,100,582**	**6,849,250**	**3,176,151**	**1,852,826**
EXPENSES				
OPERATING EXPENSES (NOTE 16):				
SALARIES	3,750,049	3,484,124	985,062	882,003
BENEFITS	912,662	651,813	282,704	108,459
SCHOLARSHIPS AND FELLOWSHIPS	210,930	212,822	—	—
UTILITIES	78,144	71,315	—	—
SUPPLIES AND MATERIALS	900,097	773,433	685,961	310,712
PURCHASED SERVICES	1,268,655	1,107,138	392,009	238,654
DEPRECIATION/AMORTIZATION	523,294	462,835	143,893	99,528
OTHER	325,275	217,693	401,503	304,833
TOTAL OPERATING EXPENSES	**7,969,106**	**6,981,173**	**2,891,132**	**1,944,189**
OPERATING (LOSS) INCOME	**(868,524)**	**(131,923)**	**285,019**	**(91,363)**
NONOPERATING REVENUES (EXPENSES)				
STATE APPROPRIATIONS	531,999	484,915	—	—
GIFTS	182,137	218,012	—	—
INVESTMENT (LOSS) INCOME (NET OF INVESTMENT EXPENSE OF $8,194 and $14,813)	437,589	(469,435)	101,080	(99,120)
INTEREST ON CAPITAL ASSET-RELATED DEBT	(111,099)	(109,300)	(16,325)	(16,683)
PELL GRANT REVENUE	48,926	49,210	—	—
PROPERTY TAX REVENUE	—	—	25,595	24,965
OTHER NONOPERATING REVENUES	285,861	165,494	28,544	10,173
NET NONOPERATING REVENUES	**1,375,413**	**338,896**	**138,894**	**(80,665)**
INCOME (LOSS) BEFORE OTHER REVENUES	**506,889**	**206,973**	**423,913**	**(172,028)**
CAPITAL APPROPRIATIONS	201,379	127,892	—	—
CAPITAL GRANTS, GIFTS AND OTHER	79,223	46,877	(726)	(11,138)
GIFTS TO PERMANENT ENDOWMENTS	105,766	91,610	18,025	—
TOTAL OTHER REVENUES	**386,368**	**266,379**	**17,299**	**(11,138)**
INCREASE (DECREASE) IN NET POSITION	**893,257**	**473,352**	**441,212**	**(183,166)**
NET POSITION				
NET POSITION – BEGINNING OF YEAR (NOTE 1)	8,354,444	7,881,092	1,168,422	1,351,588
NET POSITION – END OF YEAR	**$ 9,247,701**	**$ 8,354,444**	**$ 1,609,634**	**$ 1,168,422**

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	**2023**	**2022**
PATIENT SERVICES	$ 2,611,009	$ 2,458,879
STUDENT TUITION AND FEES	1,115,910	1,088,157
GRANTS AND CONTRACTS	1,803,817	1,676,769
PAYMENTS TO SUPPLIERS	(933,209)	(745,345)
PAYMENTS FOR UTILITIES	(80,139)	(68,333)
PURCHASED SERVICES	(1,292,180)	(1,083,201)
OTHER OPERATING DISBURSEMENTS	(322,510)	(227,579)
PAYMENTS TO EMPLOYEES	(3,729,963)	(3,473,338)
PAYMENTS FOR BENEFITS	(1,155,440)	(1,186,684)
PAYMENTS FOR SCHOLARSHIPS AND FELLOWSHIPS	(210,930)	(212,822)
LOANS ISSUED TO STUDENTS	(7,855)	(6,537)
COLLECTION OF LOANS TO STUDENTS	10,703	9,641
AUXILIARY ENTERPRISE RECEIPTS	531,074	576,249
SALES AND SERVICES OF EDUCATIONAL DEPARTMENTS	636,787	752,171
RECEIPTS FROM OUTSIDE AFFILIATED AGENCIES	963,791	947,505
DISBURSEMENTS TO OUTSIDE AFFILIATED AGENCIES	(958,992)	(933,239)
OTHER RECEIPTS	265,413	304,277
NET CASH USED BY OPERATING ACTIVITIES	**(752,714)**	**(123,430)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
STATE APPROPRIATIONS	480,192	476,429
GIFTS AND GRANTS FOR OTHER THAN CAPITAL PURPOSES	48,926	49,210
PRIVATE GIFTS	138,488	156,070
PERMANENT ENDOWMENT RECEIPTS	105,766	91,610
DIRECT LENDING RECEIPTS	222,941	219,613
DIRECT LENDING DISBURSEMENTS	(222,941)	(219,613)
FEDERAL STIMULUS FUNDING	3,084	29,771
OTHER	274,416	68,629
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	**1,050,872**	**871,719**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
PROCEEDS FROM CAPITAL DEBT	192,507	502,365
STATE CAPITAL APPROPRIATIONS	201,644	119,820
CAPITAL GRANTS AND GIFTS RECEIVED	79,223	45,921
ACQUISITION AND CONSTRUCTION OF CAPITAL ASSETS	(613,612)	(436,903)
PRINCIPAL PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(314,516)	(541,086)
INTEREST PAYMENTS ON CAPITAL-RELATED DEBT AND LEASES	(97,185)	(117,069)
OTHER	8,009	2,434
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	**(543,930)**	**(424,518)**

		UNIVERSITY OF WASHINGTON	
		Year Ended June 30,	
CASH FLOWS FROM INVESTING ACTIVITIES		**2023**	**2022**
PROCEEDS FROM SALES OF INVESTMENTS		17,324,986	12,758,450
DISBURSEMENTS FOR PURCHASES OF INVESTMENTS		(17,179,069)	(13,056,871)
INVESTMENT INCOME		86,612	(4,538)
NET CASH PROVIDED BY (USED BY) INVESTING ACTIVITIES		**232,529**	**(302,959)**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		(13,243)	20,812
CASH AND CASH EQUIVALENTS-BEGINNING OF THE YEAR		162,736	141,924
CASH AND CASH EQUIVALENTS-END OF THE YEAR	**$**	**149,493 $**	**162,736**
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
OPERATING LOSS	$	(868,524) $	(131,923)
ADJUSTMENTS TO RECONCILE OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:			
DEPRECIATION/AMORTIZATION EXPENSE		523,294	462,835
CHANGES IN ASSETS, LIABILITIES AND DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES:			
RECEIVABLES		(50,064)	10,710
OTHER ASSETS		5,010	(14,533)
OTHER RECEIVABLES		26,625	(23,948)
DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES		(467,345)	833,502
PENSION ASSETS		703,578	(1,129,366)
PENSION LIABILITIES		86,689	(230,885)
OPEB LIABILITY		(615,421)	165,451
ACCOUNTS PAYABLE AND ACCRUED LIABILITIES		9,708	52,175
UNEARNED REVENUE		(40,296)	11,417
OTHER LONG-TERM LIABILITIES		(65,038)	(129,543)
U.S. GOVERNMENTAL GRANTS REFUNDABLE		(3,778)	(2,426)
LOANS TO STUDENTS		2,848	3,104
NET CASH USED BY OPERATING ACTIVITIES	**$**	**(752,714) $**	**(123,430)**
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES			
STOCK GIFTS	$	31,810 $	49,135
NET UNREALIZED (LOSSES) GAINS		244,116	(754,813)
EXTERNALLY MANAGED TRUSTS		(6,310)	28,718
INCREASE IN LEASES AND SUBSCRIPTION ASSETS		(147,126)	(125,189)
EQUITY EARNINGS FROM INVESTMENT IN SEATTLE CANCER CARE ALLIANCE		—	22,910
INCREASE IN INVESTMENT IN SEATTLE CANCER CARE ALLIANCE		—	(142,942)
CEDING OF INVESTMENT INTEREST IN SEATTLE CANCER CARE ALLIANCE		—	425,131
INVESTMENT IN FRED HUTCHINSON CANCER CENTER		—	(428,827)
INCREASE IN NOTE PAYABLE TO FRED HUTCHINSON CANCER CENTER		—	142,942
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	**$**	**122,490 $**	**(782,935)**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

JUNE 30,

	2023 CUSTODIAL FUNDS			2022 CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ASSETS:						
POOLED INVESTMENTS AT FAIR VALUE	$ 69,675	$ —	$ 69,675	$ 68,518	$ —	$ 68,518
OTHER ASSETS	—	1,284	1,284	—	1,515	1,515
TOTAL ASSETS	**$ 69,675**	**$ 1,284**	**$ 70,959**	**$ 68,518**	**$ 1,515**	**$ 70,033**
FIDUCIARY NET POSITION:						
POOL PARTICIPANTS	$ 69,675	$ —	$ 69,675	$ 68,518	$ —	$ 68,518
ORGANIZATIONS AND OTHER GOVERNMENTS	—	1,284	1,284	—	1,515	1,515
TOTAL FIDUCIARY NET POSITION	**$ 69,675**	**$ 1,284**	**$ 70,959**	**$ 68,518**	**$ 1,515**	**$ 70,033**

See accompanying notes to financial statements

Dollars in thousands

STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION

UNIVERSITY OF WASHINGTON

YEAR ENDED JUNE 30,

	2023			2022		
	CUSTODIAL FUNDS			CUSTODIAL FUNDS		
	EXTERNAL INVESTMENT POOL	OTHER	TOTAL	EXTERNAL INVESTMENT POOL	OTHER	TOTAL
ADDITIONS:						
GIFTS	$ 741	$ 21,084	$ 21,825	$ 820	$ 22,481	$ 23,301
COLLATERAL RECEIVED AND RELATED ADDITIONS	—	17,848	17,848	—	13,977	13,977
INVESTMENT (LOSSES) EARNINGS:						
CHANGE IN FAIR VALUE	1,261	—	1,261	(8,083)	—	(8,083)
INTEREST, DIVIDENDS, AND OTHER	1,942	—	1,942	3,579	—	3,579
TOTAL INVESTMENT (LOSSES) EARNINGS	3,203	—	3,203	(4,504)	—	(4,504)
LESS INVESTMENT ACTIVITY COSTS	(52)	—	(52)	(142)	—	(142)
NET INVESTMENT (LOSSES) EARNINGS	3,151	—	3,151	(4,646)	—	(4,646)
TOTAL (LOSSES) ADDITIONS	**3,892**	**38,932**	**42,824**	**(3,826)**	**36,458**	**32,632**
DEDUCTIONS:						
BENEFITS PAID TO PARTICIPANTS OR BENEFICIARIES	—	21,110	21,110	—	22,455	22,455
DISTRIBUTION TO POOL PARTICIPANTS	2,735	—	2,735	2,201	—	2,201
COLLATERAL DISBURSED AND RELATED DEDUCTIONS	—	18,053	18,053	—	15,757	15,757
TOTAL DEDUCTIONS	**2,735**	**39,163**	**41,898**	**2,201**	**38,212**	**40,413**
NET (DECREASE) INCREASE IN FIDUCIARY NET POSITION	**1,157**	**(231)**	**926**	**(6,027)**	**(1,754)**	**(7,781)**
FIDUCIARY NET POSITION:						
FIDUCIARY NET POSITION - BEGINNING OF YEAR	68,518	1,515	70,033	74,545	3,269	77,814
FIDUCIARY NET POSITION - END OF YEAR	**$ 69,675**	**$ 1,284**	**$ 70,959**	**$ 68,518**	**$ 1,515**	**$ 70,033**

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 11-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 17).

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

CHANGE IN REPORTING ENTITY

Formation of Fred Hutchinson Cancer Center

On March 31, 2022, the members of the Seattle Cancer Care Alliance (SCCA): the University, Fred Hutchinson Cancer Research Center (Fred Hutch), and Seattle Children's Healthcare System (SCHS) agreed to merge Fred Hutch and SCCA; for SCCA to become a non-member non-profit Washington corporation, and for SCCA to be renamed Fred Hutchinson Cancer Center (FHCC). As part of the transaction, SCHS's interest of $285.9 million was purchased by the University and Fred Hutch with funding provided by Fred Hutch. SCHS no longer participates in the Adult Oncology Program but continues to offer pediatric cancer care services and to coordinate through separate affiliation agreements with FHCC and UW Medicine. The University entered into a promissory note to pay FHCC over a ten-year period for its 50% portion of the SCHS membership in SCCA. The non-participating investment in FHCC of $428.8 million reflects a non-monetary exchange accounted for based on the fair value of the assets involved. Specifically, the University used the fair value of the existing equity method investment in SCCA, based on the corresponding equity interest after the buyout of SCHS and prior to the exchange, to determine the value at which the investment in FHCC is recorded. The fair value method used inputs that are "unobservable data points" related to valuation, also known as level 3 inputs (see Note 7 for fair value hierarchy). This fair value will not be remeasured, and will be assessed for impairment on an annual basis. No gain or loss was recorded on the transaction. At June 30, 2023, there was no impairment of the investment in FHCC.

In addition to the restructure of the former SCCA corporate entity, the University and FHCC agreed to the Restructuring and Enhanced Collaboration Agreement (Restructuring Agreement), which clinically and financially integrates the adult cancer program between both entities. With this new arrangement, the University no longer holds a membership interest in SCCA. The University agreed to a restructuring of the SCCA joint venture; transitioning to a non-member entity, rebranding, realigning the future economic sharing arrangements, and realigning practice area management responsibilities. The University's investment in FHCC is recorded within its Statements of Net Position and reflects the integrated adult oncology program. The Restructuring Agreement includes a Financial Alignment Plan, under which both parties share in the objectives of the adult oncology program and drive site neutrality for cancer services for the betterment of patient outcomes. The University's former economic rights as a joint venture member were transformed into contractual rights including, among other provisions, a payment right extending perpetually. The University recorded $87.4 million and $6.7 million, respectively, in financial alignment income for fiscal year 2023 and the last quarter of fiscal year 2022, which is included in other nonoperating revenues in the Statements of Revenues, Expenses, and Changes in Net Position.

BLENDED COMPONENT UNITS

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

Medical Entities

The Association of University Physicians dba UW Physicians (UWP)

UWP is a Washington nonprofit corporation formed in 1983 for the exclusive benefit of the University of Washington School of Medicine (SOM). UWP employs SOM faculty and bills and collects for their clinical services as an agent for SOM. UWP had operating revenues of $410.8 million and $424.6 million for the years ended June 30, 2023 and 2022, respectively.

UW Physicians Network dba UW Medicine Primary Care (Primary Care)

Primary Care 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. It was organized to coordinate and develop patient care in a community clinical setting and enhances the academic environment of SOM by providing additional sites of primary care practice and training for faculty, residents and students. In 2023, the doing-business-as (dba) name changed from UW Medicine Neighborhood Clinics to UW Medicine Primary Care. Primary Care had operating revenues of $45.8 million and $37.2 million for the years ended June 30, 2023 and 2022, 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, 2023 and 2022, these entities had net capital assets of $276.5 million and $295.3 million, respectively, and long-term debt of $285.4 million and $303.6 million, respectively. These amounts are reflected in the University's financial statements.

Portage Bay Insurance

For medical professional liability, general liability, educator's legal liability including employment practices liability, and automobile liability, the University maintains a program of self-insurance reserves and excess insurance coverage through Portage Bay Insurance (PBI), a wholly-owned subsidiary formed to provide the University with alternative risk financing options. PBI is incorporated as a nonprofit corporation in the state of Hawaii, and retains a Certificate of Authority as a pure captive insurance company. As of June 30, 2023 and 2022, PBI had self insurance liabilities of $230.1 million and $241.9 million, respectively.

DISCRETELY PRESENTED COMPONENT UNITS

Valley Medical Center

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

Fred Hutchinson Cancer Center

Fred Hutchinson Cancer Center (FHCC) is a nonprofit organization focused on adult oncology research and care that is a clinically integrated part of UWMC. FHCC was formed in April 2022 from the merger of SCCA and Fred Hutchinson Cancer

Research Center, together with execution of the Restructuring and Enhanced Collaboration Agreement between the University and FHCC. The audited financial statements of FHCC are available by contacting FHCC at 1100 Fairview Ave N, Seattle, Washington 98109 or online at the following address: https://www.fredhutch.org/en/about/about-the-hutch/accountability-impact/financial-summaries-and-impact-reporting.html.

JOINT VENTURES

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

The University and Seattle Children's Healthcare System established Children's University Medical Group (CUMG) to assist the organizations in carrying out their pediatric patient care and charitable, educational and scientific missions. CUMG employs SOM faculty physicians, and bills and collects for their services as an agent for SOM. The University's patient services receivable (see note 6) as of June 30, 2023 and 2022 includes amounts due from CUMG of $18.3 million and $19.9 million, respectively.

In October 2018, the Board of Regents authorized the University, through UW Medicine, to become an equity member in a limited liability company. PNWCIN, LLC dba Embright (Embright) was created in 2018 and 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 Quadruple Aim of improving the patient care experience, achieving better health outcomes, controlling costs and addressing clinician satisfaction. Together, the members represent 21 hospitals, more than 8,500 providers and over 1,500 clinics. 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, 2023 and 2022, the University's ownership interest in Embright totaled $2.2 million and $2.4 million, respectively. The University's ownership interest in Embright is recorded in other noncurrent assets in the University's Statements of Net Position.

METROPOLITAN TRACT

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

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

The Metropolitan Tract's assets, liabilities, deferred inflows and net position are shown together with the University on the Statements of Net Position and the Statements of Revenues, Expenses and Changes in Net Position. The presentation has changed from prior years, when the Metropolitan Tract was shown condensed to one line of each financial statement.

PRIOR PERIOD ADJUSTMENT

In 2023, an accounting error was discovered which resulted in an understatement of operating revenues and operating expenses of $295.1 million, respectively, in fiscal year 2022. In addition, accounts receivable and accounts payable were understated by $2.2 million. There was no impact to net position. The error originated in the treatment of revenues and expenses related to physician compensation paid to faculty and the subsequent reimbursements from other parties. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2022 have been restated to reflect the correction.

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, 2022, the University implemented GASB Statement No. 94, "*Public-Private and Public-Public Partnerships (P3s) and Availability Payment Arrangements (APAs)*". The Statement establishes standards of accounting and financial reporting for arrangements between governments and private entities or other governments. Those arrangements generally result in the government transferring the obligation to provide certain public services to an external entity. 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 has determined that there is no accounting impact from implementation of GASB No. 94 for the year ended June 30, 2023.

On July 1, 2022, the University implemented GASB Statement No. 96, "*Subscription-Based Information Technology Arrangements (SBITAs)".* The Statement establishes standards of accounting and financial reporting for SBITAs by a government end user who enters into SBITAs contracts to use vendor-provided information technology. It applies to SBITA contracts that convey control of the right to use another party's IT software, alone or in combination with tangible underlying IT assets in an exchange or exchange-like transaction for a period exceeding 12 months. Under this Statement, the government is required to recognize a subscription liability and an intangible right-to-use (ROU) subscription asset. Cash outlays necessary to place the subscription asset in service can be capitalized during the initial project implementation stage. As a result of the implementation, the University has applied the standard retroactively as of July 1, 2021, which resulted in the recognition of a ROU subscription asset of $56.4 million and a corresponding liability of $53.7 million with the beginning net position restated by $2.7 million. The Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and the Statement of Cash Flows for fiscal year 2022 have been restated to conform with the requirements of this Statement and the current year presentation.

On July 1, 2022, the University implemented GASB Statement No. 99, "Omnibus 2022," for provisions related to leases, P3s, and SBITAs. The Statement clarifies guidance on leases, P3s, and SBITAs primarily related to the determination of the contract term, and recognition and measurement of the associated liability and asset. The implementation did not have have a material impact on the University's financial statements.

ACCOUNTING STANDARDS IMPACTING THE FUTURE

In April 2022, the GASB issued Statement No. 99, *"Omnibus 2022,"* provisions of which will be effective for the fiscal years ending June 30, 2023 and 2024. Requirements related to leases, P3s, and SBITAs are effective for the fiscal year ending June 30, 2023. Requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement No. 53 are effective for the fiscal year ending June 30, 2024. The University is currently assessing the impact of implementation of this Statement on its financial statements, but does not expect it to have any material impact.

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

USE OF ESTIMATES

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

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

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

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

The self-insurance reserve (see note 15) 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 are excluded from the beginning and ending cash amounts on the Statements of Cash Flows.

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

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

Interest incurred on capital asset-related debt was $111.1 million and $109.3 million for the years ended June 30, 2023 and 2022, respectively.

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

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

Subscription-Based Information Technology Arrangements (SBITA). A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The University recognizes a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. SBITA assets are amortized on a straight-line basis over the contract term. SBITA liabilities represent the University's obligation to make contract payments arising from the SBITA. Interest expense is recognized ratably over the contract term. The SBITA term may include options to extend or terminate the contract when it is reasonably certain that the University will exercise that option. The University recognizes payments for short-term SBITAs with a term of 12 months or less as expense as the payments are made.

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

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

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

Single Employer Pension Plan (UW Supplemental Retirement Plan - UWSRP). 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, 2023 and 2022, reflects the expected rate of return on investments, to the extent that plan assets are available to pay retiree benefits. Pension expense is recognized for benefits earned during the period, interest on the unfunded liability and changes in benefit terms. Differences between expected and actual experience, and changes in assumptions about future economic or demographic factors, are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over the average expected remaining service period for employees eligible for pension benefits. Differences between expected and actual investment returns are reported as deferred inflows of resources or deferred outflows of resources, and are recognized over five years. The measurement date for the UWSRP net pension liability is the same as the Statements of Net Position date.

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

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

Compensated Absences. University employees accrue annual leave at rates based on length of service, and for sick leave at the rate of one day per month. Sick leave balances, which are unlimited, can be converted to monetary compensation annually at 25% of the employees' normal compensation rate for any balance that exceeds 480 hours, or for any balance upon retirement or death. Annual leave accrued at June 30, 2023 and 2022 was $213.0 million and $200.4 million, respectively, and is included in accounts payable and accrued liabilities in the University's Statements of Net Position. Sick leave accrued at June 30, 2023 and 2022 was $65.1 million and $58.8 million, respectively, and is included in long-term liabilities (see note 9) in the University's Statements of Net Position.

Scholarship Allowances. Tuition and fees are reported net of scholarship allowances which represent the difference between the stated charge for tuition and fees and the amount that is paid by the student or third parties on behalf of the student. Student aid paid directly to students is reported as scholarships and fellowships expense.

Net Patient Service Revenue. Patient service revenue is reported 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 updated information becomes available and when final settlements are determined. Revenue related to financial assistance provided to patients is excluded from net patient service revenue.

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

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

Financial Assistance. Financial assistance provides patient care without charge to patients who meet certain criteria under the financial assistance policy. Records are maintained to identify and monitor the level of financial assistance provided. These records include charges foregone for services and supplies furnished under the financial assistance policy to the uninsured and the underinsured. Collection of these amounts is not pursued and, as such, they are not reported as net patient service revenue. The cost of financial assistance provided is calculated based on the aggregate relationship of costs to charges. The estimated cost of financial assistance provided during the years ended June 30, 2023 and 2022 was $25.6 million and $25.3 million, respectively.

State Appropriations. The state of Washington appropriates funds to the University on both an 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, FHCC financial alignment income, 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.

Reclassification. Certain amounts in the 2022 financial statement footnotes have been reclassified for comparative purposes to conform to the presentation in the 2023 financial statement.

NOTE 2:

COVID-19 Pandemic

The COVID-19 pandemic had widespread, rapidly evolving, and unpredictable impacts on societal and economic conditions at a local, national, and global level and has had a significant impact on the University's operations. In response to financial pressures brought on by the pandemic, the Federal Government and the state of Washington have provided additional sources of liquidity to institutions of higher education and healthcare providers. During the years ended June 30, 2023 and 2022, revenue recorded by the University related to COVID-19 support was $55.0 million and $162.3 million, respectively. This excludes amounts recorded by HMC and the University's discrete component units.

NOTE 3:

Cash and Cash Equivalents

Cash includes cash on hand, petty cash and bank deposits. Cash equivalents includes treasury securities with original maturities of less than 90 days and money market funds with remaining underlying 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, 2023 and 2022, net student loans of $39.5 million and $42.4 million, respectively, consist of $26.3 million and $30.1 million, respectively, from federal programs, and $13.2 million and $12.3 million, respectively, from University programs. For the years ended June 30, 2023 and 2022, interest income from student loans was $1.3 million and $1.1 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, 2023 and 2022 are as follows:

(Dollars in thousands)	**2023**	**2022**
NET PATIENT SERVICES	$ 429,610	$ 425,825
GRANTS AND CONTRACTS	246,238	231,259
SALES AND SERVICES	190,727	165,688
STATE APPROPRIATIONS	80,351	28,808
INVESTMENTS	69,581	46,334
DUE FROM OTHER AGENCIES	59,648	43,734
LEASE RECEIVABLES (CURRENT PORTION)	42,756	44,453
SELF INSURANCE CEDED RESERVES	35,011	63,727
TUITION	18,742	15,509
OTHER	50,216	24,205
SUBTOTAL	1,222,880	1,089,542
LESS: ALLOWANCE FOR DOUBTFUL ACCOUNTS	(69,454)	(60,970)
TOTAL	**$ 1,153,426**	**$ 1,028,572**

NOTE 7:

Investments

INVESTMENTS – GENERAL

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

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

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

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

TABLE 1 – INVESTMENTS *(Dollars in thousands)*

		Fair Value Measurements Inputs		
INVESTMENTS BY FAIR VALUE LEVEL	**2023**	**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	$ 1,633,297	$ 6,974	$ 1,626,323	$ —
U.S. GOVERNMENT AGENCY	344,292	9,713	334,579	—
MORTGAGE BACKED	209,132	—	209,132	—
ASSET BACKED	604,460	—	604,460	—
CORPORATE AND OTHER	316,793	17,009	299,784	—
TOTAL FIXED INCOME SECURITIES	**3,107,974**	**33,696**	**3,074,278**	**—**
EQUITY SECURITIES				
GLOBAL EQUITY INVESTMENTS	725,563	398,844	326,719	—
REAL ESTATE	18,519	14,810	—	3,709
OTHER	157,622	151,751	—	5,871
TOTAL EQUITY SECURITIES	**901,704**	**565,405**	**326,719**	**9,580**
EXTERNALLY MANAGED TRUSTS	**131,385**	**—**	**—**	**131,385**
TOTAL INVESTMENTS BY FAIR VALUE LEVEL	**4,141,063**	**$ 599,101**	**$ 3,400,997**	**$ 140,965**

INVESTMENTS MEASURED USING NET ASSET VALUE (NAV)	
GLOBAL EQUITY INVESTMENTS	2,022,467
ABSOLUTE RETURN STRATEGY FUNDS	875,128
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	902,345
REAL ASSET FUNDS	225,282
OTHER	50,452
TOTAL INVESTMENTS MEASURED USING NAV	**4,075,674**
TOTAL INVESTMENTS MEASURED AT FAIR VALUE AND NAV	8,216,737
CASH EQUIVALENTS AT AMORTIZED COST	145,643
TOTAL INVESTMENTS	**$ 8,362,380**

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

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

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)*

2023	Fair Value	Total Unfunded Commitments	Redemption Frequency (if Currently Eligible)	Redemption Notice Period
GLOBAL EQUITY INVESTMENTS	$ 2,022,467	$ 31,707	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	875,128	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	902,345	561,441	N/A	—
REAL ASSETS FUNDS	225,282	70,335	N/A	—
OTHER	50,452	32,250	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 4,075,674**			
2022	**Fair Value**	**Total Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redemption Notice Period**
GLOBAL EQUITY INVESTMENTS	$ 1,718,652	$ —	MONTHLY TO ANNUALLY	15-180 days
ABSOLUTE RETURN STRATEGY FUNDS	999,716	—	QUARTERLY TO ANNUALLY	30-90 days
PRIVATE EQUITY AND VENTURE CAPITAL FUNDS	990,630	691,457	N/A	—
REAL ASSETS FUNDS	189,364	104,447	N/A	—
OTHER	32,583	—	QUARTERLY TO ANNUALLY	30-95 days
TOTAL INVESTMENTS MEASURED USING NAV	**$ 3,930,945**			

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, 2023 and 2022, approximately 74% and 78%, respectively, of the value of the investments in this category can be redeemed within 90 days. As of June 30, 2023 and 2022, approximately 89% and 93%, 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, 2023 and 2022, approximately 93% and 92%, 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, 2023 and 2022, approximately 34% and 39%, 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, 2023 and 2022, the Short-term and Intermediate-term Invested Funds Pools totaled $2,770.0 million and $2,500.0 million, respectively. The Invested Funds - Long-term Pool also owns units in the Consolidated Endowment Fund (CEF) valued at $1,082.0 million and $1,016.0 million at June 30, 2023 and 2022, respectively. In addition, the Long-term Pool also owns a passive global equity index valued at $145.0 million and $143.0 million as of June 30, 2023 and 2022, respectively. Per University policy, departments with qualifying funds in the Invested Funds Pool receive distributions based on their average balances and on the type of balance. Campus depositors received 0.75% in fiscal years 2023 and 2022. University Advancement received 3.0% of the average balances in endowment operating and gift accounts in fiscal years 2023 and 2022. The difference between the actual earnings of the Invested Funds Pool and the calculated distributions is used to support activities benefiting all University departments.

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

In February 2019, the Board of Regents approved an amendment to the CEF Investment Policy to reduce the total spending rate from 5.0% to 4.5%. A three-year phased reduction was implemented to cushion the impact on University units starting with a 4.9% spending rate in fiscal year 2020, 4.7% spending rate in fiscal 2021 and then reaching 4.5% in fiscal year 2022. Quarterly distributions during fiscal year 2023 to programs are based on an annual percentage rate of 3.60%, applied to the five-year rolling average of the CEF's market value. Additionally, the policy allows for an administrative fee of 0.9% to support campus-wide fundraising and stewardship activities and to offset the internal cost of managing endowment assets.

The University records its permanent endowments at the lower of original gift value or current market value in the Restricted Nonexpendable Net Position category. Of the endowments that are recorded at current market value at June 30, 2023 and June 30, 2022, the net deficiency from the original gift value was $5.5 million and $6.9 million, respectively.

Net appreciation (depreciation) in the fair value of investments includes both realized and unrealized gains and losses on investments. The University realized net gains of $113.2 million and $238.3 million in fiscal years 2023 and 2022, 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 (depreciation) in the fair value of investments during the years ended June 30, 2023 and 2022 was $351.0 million and $(487.8) million, respectively.

FUNDING COMMITMENTS

The University enters into contracts with investment managers to fund alternative investments. As of June 30, 2023 and 2022, the University had outstanding commitments to fund alternative investments of $695.7 million and $795.9 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, 2023 and 2022, the University had outstanding futures contracts with notional amounts totaling $98.2 million and $55.2 million, respectively. As of June 30, 2023, accumulated unrealized gains on these contracts totaled $171 thousand and as of June 30, 2022, accumulated unrealized gains on these contracts totaled $364 thousand. The 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, 2023 or 2022. 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 1.96 years and 1.71 years at June 30, 2023 and 2022, 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 3 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, 2023 and 2022 exclude $35.6 million and $30.6 million, respectively, of fixed income securities held by blended component units. These amounts make up 1.15% and 1.08%, respectively, of the University's fixed income investments, and are not included in the duration figures detailed in Table 3.

The composition of fixed income securities at June 30, 2023 and 2022, along with credit quality and effective duration measures, is summarized as follows:

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

2023

Investments	U.S. Government	Investment Grade*	Non-Investment Grade	Not Rated	Total	Duration (In years)
U.S. TREASURY SECURITIES	$ 1,626,323	$ —	$ —	$ —	$ 1,626,323	1.86
U.S. GOVERNMENT AGENCY	337,789	—	—	—	337,789	4.88
MORTGAGE BACKED	—	53,787	74,929	80,417	209,133	1.41
ASSET BACKED	4,725	493,355	15,239	91,140	604,459	0.86
CORPORATE AND OTHER	—	227,247	—	67,393	294,640	1.80
TOTAL	**$ 1,968,837**	**$ 774,389**	**$ 90,168**	**$ 238,950**	**$ 3,072,344**	**1.96**

2022

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

*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 $1.7 billion and $1.6 billion at June 30, 2023 and 2022, respectively.

TABLE 4 – INVESTMENTS DENOMINATED IN FOREIGN CURRENCY

(Dollars in thousands)	**2023**	**2022**
EURO (EUR)	$ 381,161	$ 227,022
CHINESE RENMINBI (CNY)	249,307	381,690
JAPANESE YEN (JPY)	171,251	169,356
INDIAN RUPEE (INR)	147,387	138,301
BRITISH POUND (GBP)	131,615	166,650
CANADIAN DOLLAR (CAD)	56,766	7,258
BRAZIL REAL (BRL)	54,818	69,487
SOUTH KOREAN WON (KRW)	49,467	49,301
AUSTRALIAN DOLLAR (AUD)	46,221	18,609
SWEDISH KRONA (SEK)	44,505	30,841
SWISS FRANK (CHF)	41,299	38,152
HONG KONG DOLLAR (HKD)	38,729	32,507
TAIWANESE DOLLAR (TWD)	34,648	49,894
SOUTH AFRICAN RAND (ZAR)	18,354	19,378
DANISH KRONE (DKK)	16,942	14,279
SINGAPORE DOLLAR (SGD)	16,558	32,415
INDONESIAN RUPIAH (IDR)	16,088	29,844
NORWEGIAN KRONE (NOK)	15,098	20,215
MEXICAN PESO (MXN)	10,184	12,405
REMAINING CURRENCIES	152,486	46,987
TOTAL	**$ 1,692,884**	**$ 1,554,591**

NOTE 8:

Capital Assets

Capital asset activity for the years ended June 30, 2023 and 2022 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2021	Additions/ Transfers	Retirements	Balance as of June 30, 2022	Additions/ Transfers	Retirements	Balance as of June 30, 2023
LAND	$ 153,211	$ 6,646	$ —	$ 159,857	$ 2,563	$ —	$ 162,420
INFRASTRUCTURE	319,129	4,805	—	323,934	810	1,629	323,115
BUILDINGS	7,821,643	63,617	16,871	7,868,389	298,830	15,819	8,151,400
FURNITURE, FIXTURES AND EQUIPMENT	1,495,201	179,857	80,714	1,594,344	158,060	113,714	1,638,690
LIBRARY MATERIALS	418,191	13,419	2,299	429,311	16,153	2,366	443,098
CAPITALIZED COLLECTIONS	7,635	826	—	8,461	166	—	8,627
INTANGIBLE ASSETS	224,525	4,029	49,624	178,930	103,667	256	282,341
RIGHT OF USE LEASE ASSETS (NOTE 11)	749,864	75,728	669	824,923	126,124	14,153	936,894
RIGHT OF USE SUBSCRIPTION ASSETS (NOTE 11)	56,395	7,709	—	64,104	21,002	—	85,106
CONSTRUCTION IN PROGRESS	197,562	209,488	9,585	397,465	120,861	4,750	513,576
INTANGIBLES IN PROCESS	151,933	39,992	—	191,925	(39,449)	—	152,476
TOTAL COST	**11,595,289**	**606,116**	**159,762**	**12,041,643**	**808,787**	**152,687**	**12,697,743**
LESS ACCUMULATED DEPRECIATION/ AMORTIZATION:							
INFRASTRUCTURE	154,779	8,631	—	163,410	8,612	1,629	170,393
BUILDINGS	3,751,055	260,401	8,108	4,003,348	265,394	12,186	4,256,556
FURNITURE, FIXTURES AND EQUIPMENT	1,282,235	94,205	31,759	1,344,681	118,390	92,310	1,370,761
LIBRARY MATERIALS	320,417	13,473	1,794	332,096	13,484	1,864	343,716
INTANGIBLE ASSETS	160,040	8,865	49,624	119,281	33,933	256	152,958
RIGHT OF USE LEASE ASSETS (NOTE 11)	60,299	62,616	386	122,529	64,439	3,500	183,468
RIGHT OF USE SUBSCRIPTION ASSETS (NOTE 11)	—	14,644	—	14,644	19,042	—	33,686
TOTAL ACCUMULATED DEPRECIATION/ AMORTIZATION	**5,728,825**	**462,835**	**91,671**	**6,099,989**	**523,294**	**111,745**	**6,511,538**
CAPITAL ASSETS, NET	**$ 5,866,464**	**$ 143,281**	**$ 68,091**	**$ 5,941,654**	**$ 285,493**	**$ 40,942**	**$ 6,186,205**

NOTE 9:

Long-Term Liabilities

UNIVERSITY OF WASHINGTON

Long-term liability activity for the years ended June 30, 2023 and 2022 is summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Current portion as of June 30, 2022	Current portion as of June 30, 2023
BONDS PAYABLE:									
GENERAL OBLIGATION BONDS PAYABLE (NOTE 10)	$ 57,685	$ 8,400	$ 19,740	$ 46,345	$ —	$ 11,475	$ 34,870	$ 11,475	$ 11,840
REVENUE BONDS PAYABLE (NOTE 10)	2,277,930	374,790	365,510	2,287,210	—	72,615	2,214,595	72,615	71,605
UNAMORTIZED PREMIUM ON BONDS	165,473	24,051	35,207	154,317	—	16,952	137,365	16,943	14,574
TOTAL BONDS PAYABLE	**2,501,088**	**407,241**	**420,457**	**2,487,872**	**—**	**101,042**	**2,386,830**	**101,033**	**98,019**
NOTES PAYABLE:									
NOTES PAYABLE & OTHER -CAPITAL ASSET RELATED (NOTE 10)	58,818	1,124	13,869	46,073	5,415	11,101	40,387	11,286	11,437
NOTES PAYABLE & OTHER – NONCAPITAL ASSET RELATED (NOTE 10)	1,770	143,240	47	144,963	592	11,412	134,143	10,529	14,585
TOTAL NOTES PAYABLE	**60,588**	**144,364**	**13,916**	**191,036**	**6,007**	**22,513**	**174,530**	**21,815**	**26,022**
OTHER LONG-TERM LIABILITIES:									
OBLIGATIONS UNDER SPLIT-INTEREST AGREEMENTS	64,074	—	11,847	52,227	—	2,536	49,691	11,847	2,536
COVID-19 RELIEF (NOTE 2)	227,388	—	170,735	56,653	—	56,653	—	56,653	—
REMEDIATION LIABILITIES (NOTE 1)	33,785	—	—	33,785	—	1,176	32,609	—	—
HMC ITS FUNDING (NOTE 17)	24,269	—	2,672	21,597	147	—	21,744	9,300	8,600
SICK LEAVE (NOTE 1)	57,944	8,404	7,563	58,785	9,907	3,549	65,143	12,658	5,556
SELF-INSURANCE (NOTE 15)	180,514	112,713	51,228	241,999	82,066	93,961	230,104	33,800	72,595
LEASE LIABILITIES (NOTE 11)	709,045	90,048	67,482	731,611	133,121	62,069	802,663	50,586	53,733
SUBSCRIPTION LIABILITIES (NOTE 11)	53,742	7,898	14,211	47,429	21,071	18,453	50,047	13,849	20,323
OTHER NONCURRENT LIABILITIES	13,515	—	6,615	6,900	820	104	7,616	82	86
TOTAL OTHER LONG-TERM LIABILITIES	**1,364,276**	**219,063**	**332,353**	**1,250,986**	**247,132**	**238,501**	**1,259,617**	**188,775**	**163,429**
TOTAL LONG-TERM LIABILITIES	**$3,925,952**	**$ 770,668**	**$ 766,726**	**$3,929,894**	**$ 253,139**	**$ 362,056**	**$3,820,977**	**$ 311,623**	**$ 287,470**

DISCRETE COMPONENT UNITS

Long-term liability activity for the years ended June 30, 2023 and 2022 is summarized as follows:

	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Current portion as of June 30, 2022	Current portion as of June 30, 2023
VALLEY MEDICAL CENTER *(Dollars in thousands)*									
LIMITED TAX GENERAL OBLIGATION BONDS	$ 315,034	$ —	$ 10,983	$ 304,051	$ —	$ 13,473	$ 290,578	$ 11,185	$ 11,665
LEASE LIABILITIES	125,441	7,713	24,227	108,927	4,234	15,280	97,881	13,719	14,008
SUBSCRIPTION LIABILITIES	—	—	—	13,167	3,958	7,635	9,490	—	4,327
NOTES PAYABLE & OTHER	18,678	—	18,678	—	—	—	—	—	—
TOTAL LONG-TERM LIABILITIES	**$ 459,153**	**$ 7,713**	**$ 53,888**	**$ 426,145**	**$ 8,192**	**$ 36,388**	**$ 397,949**	**$ 24,904**	**$ 30,000**

	Balance as of July 1, 2021	Additions	Reductions	Balance as of June 30, 2022	Additions	Reductions	Balance as of June 30, 2023	Current portion as of June 30, 2022	Current portion as of June 30, 2023
FRED HUTCHINSON CANCER CENTER *(Dollars in thousands)*									
LONG TERM DEBT	$ —	$1,939,257	$ 846,298	$ 1,092,959	$ —	$ 6,620	$ 1,086,339	$ 3,959	$ 13,732
COLLABORATIVE ARRANGEMENT LIABILITIES	—	428,824	—	428,824	—	—	428,824	—	—
LEASE LIABILITIES	—	268,783	28,240	240,543	—	13,030	227,513	14,086	14,654
DEFERRED CREDIT ON CASH FLOW HEDGES	—	39,872	21,797	18,075	—	8,461	9,614	—	—
TOTAL LONG-TERM LIABILITIES	**$ —**	**$2,676,736**	**$ 896,335**	**$1,780,401**	**$ —**	**$ 28,111**	**$1,752,290**	**$ 18,045**	**$ 28,386**

NOTE 10:

Bonds and Notes Payable

The bonds and notes payable at June 30, 2023 consist of state of Washington General Obligation Bonds, University General Revenue Bonds, and Notes Payable. These obligations have interest rates ranging from 0.19% to 8.00%. As of June 30, 2023, substantially all of the University's debt was publicly offered debt. Debt service requirements as of June 30, 2023 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**
2024	$ 11,840	$ 1,458	$ 71,605	$ 90,083	$ 26,022	$ 6,847
2025	8,910	939	87,020	87,083	20,997	6,135
2026	5,265	525	90,565	83,990	17,243	5,416
2027	5,210	266	94,050	80,618	17,488	4,675
2028	2,105	104	92,675	76,939	18,232	3,903
2029-2033	1,540	31	457,125	332,032	74,548	7,317
2034-2038	—	—	486,130	237,525	—	—
2039-2043	—	—	520,875	118,704	—	—
2044-2048	—	—	301,605	39,164	—	—
2049-2053	—	—	12,945	1,025	—	—
TOTAL PAYMENTS	**$ 34,870**	**$ 3,323**	**$ 2,214,595**	**$ 1,147,163**	**$ 174,530**	**$ 34,293**

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

The University did not issue or refund any General Revenue Bonds in fiscal year 2023.

On April 1, 2022, UW Medical Center entered into a promissory note agreement with Fred Hutchinson Cancer Center (FHCC), for its 50% share of the buyout of Seattle Children's Healthcare System membership in SCCA. The note payable to FHCC is $142.9 million and the interest rate is 4.82%. The note shall be payable in forty equal consecutive quarterly installments of principal and interest and matures in March 2032. Both parties agree that all payments on this note shall be offset by UW Medical Center's portion of the Clinical Distribution Pool due under the Restructuring Agreement. As of June 30, 2023, payments of $11.4 million have been paid towards the principal.

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

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. During fiscal year 2023, the University issued $43.5 million of commercial paper. The University refunded $69.5 million of commercial paper with a line of credit from Washington Federal Bank, National Association. During fiscal year 2022, the University issued $44.5 million of commercial paper. As of June 30, 2023 and 2022, the University had $43.5 million and $69.5 million, respectively, in outstanding commercial paper.

SUBSEQUENT DEBT ACTIVITY

On July 25, 2023, the University issued $99.5 million in commercial paper; the proceeds were used to pay off the line of credit with the Washington Federal Bank, National Association, prior to expiration on August 1, 2023.

In October 2023, the University entered into a new Master Financing Agreement (the “2023 Master Financing Agreement”), effective as of the Regent’s approval of the agreement in September 2023 with JP Morgan Chase Bank to provide a non-revolving credit line available to the University for the financing of assets in the short-term (FAST), including personal property, to be drawn from time to time. The 2023 Master Financing Agreement allows for draws in an aggregate amount not to exceed $40 million and will expire in September 2026, with the option of extending for two additional one year terms.

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 2020 Master Financing Agreement expired on June 30, 2023 and was subsequently replaced with the 2023 Master Financing Agreement (see “Subsequent Debt Activity”). 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, 2023 and 2022 totaled $23.7 million and $22.9 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. 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. During fiscal year 2023, the University borrowed $99.5 million from the Washington Federal Bank, National Association line of credit.

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. On September 30, 2021, the University entered into an Amended and Restated Revolving Credit Agreement, which adjusted the rates from the prior agreement and extended the term through August 1, 2024. On December 1, 2022, the University entered into another an Amended and Restated Revolving Credit Agreement, which replaced LIBOR with SOFR as the applicable reference rate. Borrowings for tax-exempt projects under the agreement bear interest at a fluctuating rate equal to 82% of the daily one-month SOFR rate plus a margin of 0.63%; borrowings for taxable projects bear interest at a fluctuating rate equal to the daily one-month SOFR rate plus a margin of 0.75%. 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, 2023.

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, 2023 and 2022, $112.7 million and $414.3 million of bonds outstanding, respectively, are considered defeased. In addition, $10.3 million of in-substance defeased debt remains outstanding as of June 30, 2023 and is included in Long-Term Liabilities on the Statement of Net Position.

NOTE 11:

Leases and Related Subscription-Based Information Technology Arrangements

LESSEE & SUBSCRIPTION-BASED INFORMATION ARRANGEMENTS

The University leases land, building space and equipment from external parties for various terms under long-term, non-cancelable lease agreements. The leases expire at various dates through 2067 and provide for renewal options ranging from one year to twenty-five years. In accordance with GASB Statement No. 87, the University records right-to-use assets and lease liabilities based on the present value of expected payments over the lease term of the respective leases. The expected payments are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease liability are $99.08 million and $85.1 million as of June 30, 2023, and 2022, respectively. The University does not have any leases subject to a residual value guarantee.

A SBITA is a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract in an exchange or exchange-like transaction for a term exceeding 12 months. The University enters subscription-based information arrangements which expire at various dates through 2034. In accordance with GASB Statement No. 96, the University recognizes a right-to-use subscription asset and a corresponding subscription liability at the commencement of the subscription term, which is when the subscription asset is placed into service. Similar to leases, the expected future subscription payments are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance.

The University's right-to-use assets and related accumulated amortization for fiscal years ended June 30, 2023 and 2022 are summarized as follows:

(Dollars in thousands)	Balance as of July 1, 2021	Additions	Modifications and Renewals	Deductions	Balance as of June 30, 2022	Additions	Modifications and Renewals	Deductions	Balance as of June 30, 2023
RIGHT OF USE ASSETS									
LAND	$ 414,497	$ —	$ —	$ —	$ 414,497	$ —	$ —	$ 9,665	$ 404,832
BUILDINGS	268,590	63,653	11,381	669	342,955	59,890	18,844	4,488	417,201
EQUIPMENT	66,777	694	—	—	67,471	47,390	—	—	114,861
SUBSCRIPTION ASSETS	56,395	7,709	—	—	64,104	11,974	9,028	—	85,106
TOTAL RIGHT OF USE ASSETS	**806,259**	**72,056**	**11,381**	**669**	**889,027**	**119,254**	**27,872**	**14,153**	**1,022,000**
LESS ACCUMULATED AMORTIZATION									
LAND	9,658	9,658	—	—	19,316	8,983	—	—	28,299
BUILDINGS	34,177	36,551	—	386	70,342	38,050	—	3,500	104,892
EQUIPMENT	16,464	16,407	—	—	32,871	17,406	—	—	50,277
SUBSCRIPTION ASSET	—	14,644	—	—	14,644	19,042	—	—	33,686
TOTAL ACCUMULATED AMORTIZATION	**60,299**	**77,260**	**—**	**386**	**137,173**	**83,481**	**—**	**3,500**	**217,154**
TOTAL RIGHT OF USE ASSETS, NET	**$ 745,960**	**$ (5,204)**	**$ 11,381**	**$ 283**	**$ 751,854**	**$ 35,773**	**$ 27,872**	**$ 10,653**	**$ 804,846**

Total future annual lease payments under lessee agreements as of June 30, 2023 are as follows:

Year *(Dollars in thousands)*	**Principal (a)**	**Interest**	**Total**
2024	$ 40,347	$ 21,963	$ 62,310
2025	51,360	22,113	73,473
2026	36,323	22,149	58,472
2027	33,995	21,122	55,117
2028	30,385	20,494	50,879
2029-2033	53,884	104,032	157,916
2034-2038	51,728	107,709	159,437
2039-2043	51,591	107,492	159,083
2044-2048	51,991	84,757	136,748
2049-2053	85,825	65,641	151,466
2054-2058	129,425	45,730	175,155
2059-2063	172,424	17,216	189,640
Total	**$ 789,278**	**$ 640,418**	**$ 1,429,696**

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

As of June 30, 2023, the University has two leases that have not yet commenced, primarily for building space, with lease payments due on an undiscounted basis of $150.3 million over the respective lease terms. These leases will commence in fiscal years 2024 and 2026 with lease terms ranging between 10 and 40 years.

Total future annual subscription payments under subscription-based arrangements as of June 30, 2023 are as follows:

Year *(Dollars in thousands)*	**Principal (a)**	**Interest**	**Total**
2024	$ 20,194	$ 829	$ 21,023
2025	16,335	571	16,906
2026	9,046	268	9,314
2027	2,076	91	2,167
2028	1,478	46	1,524
2029-2034	524	13	537
Total	**$ 49,653**	**$ 1,818**	**$ 51,471**

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

As of June 30, 2023, the University has two subscription arrangements that have not yet commenced, with payments due on an undiscounted basis of $23.8 million over the respective terms. These arrangements will commence in fiscal year 2024 with terms ranging between 4 and 7 years.

LESSOR ARRANGEMENTS

The University leases building and ground space to external parties with significant activity occurring within the Metropolitan Tract (Note 1). The leases expire at various dates through 2098 and provide for renewal options ranging from one year to twenty-five years. The University records lease receivables and deferred inflows of resources based on the present value of expected receipts over the term of the respective leases. The expected receipts are discounted using the University's incremental borrowing rate. Variable payments are excluded from the valuations unless they are fixed in substance. Amounts recognized for variable and other payments not included in the measurement of the lease receivable are $35.04 million and $24.2 million as of June 30, 2023, and 2022, respectively. The University recognized revenues related to lease agreements totaling $93.2 million and $83.4 million, as of June 30, 2023, and 2022, respectively, reported in other operating revenues in the Statements of Revenue, Expenses and Change in Net Position.

Future minimum lease payments to be received under lessor agreements as of June 30, 2023 are as follows:

Year *(Dollars in Thousands)*	**Principal (a)**	**Interest**	**Total**
2024	$ 38,720	$ 11,713	$ 50,433
2025	34,790	10,888	45,678
2026	32,416	10,257	42,673
2027	28,096	9,589	37,685
2028	18,878	9,023	27,901
2029-2033	44,942	39,267	84,209
2034-2038	20,316	34,298	54,614
2039-2043	11,721	32,010	43,731
2044-2048	13,398	30,545	43,943
2049-2053	15,649	28,822	44,471
2054-2058	18,756	26,455	45,211
2059-2063	20,203	23,819	44,022
2064-2068	18,742	21,573	40,315
2069-2073	19,368	19,274	38,642
2074-2078	17,702	17,434	35,136
2079-2083	20,876	15,492	36,368
2084-2088	9,881	10,381	20,262
2089-2093	17,277	4,561	21,838
2094-2098	18,458	1,358	19,816
Total	**$ 420,189**	**$ 356,759**	**$ 776,948**

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

NOTE 12:

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, 2023 and 2022, the University's share of the total net pension assets associated with the defined-benefit pension plans administered by the DRS was $430.3 million and $1,133.9 million, respectively. The University's share of the total net pension liabilities was $253.9 million and $109.8 million, respectively. As of June 30, 2023 and 2022, the net pension liability associated with the defined benefit pension plan administered by the University was $161.8 million and $219.1 million, respectively. As of June 30, 2023 and 2022, assets held by the University to pay retiree benefits in connection with the pension plan administered by the University were $342.0 million and $345.3 million, respectively. These assets are in addition to those now residing with the Washington State Investment Board. For the years ended June 30, 2023 and 2022, total pension expense (benefit) recorded by the University related to both the DRS and University plans was $(58.1) million and $(288.0) million, respectively.

PLANS ADMINISTERED BY DRS

PLAN DESCRIPTION

Public Employees' Retirement System

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

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

Teachers' Retirement System

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

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

Law Enforcement Officers' and Fire Fighters' Retirement System

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

VESTING AND BENEFITS PROVIDED

PERS Plan 1 and TRS Plan 1

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

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

PERS Plan 2/3 and TRS Plan 2/3

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

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

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

LEOFF Plan 2

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

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

FIDUCIARY NET POSITION

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

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

DRS publishes an annual report for retirement plans, which is available at https://www.drs.wa.gov/news/

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 2023 pension liabilities are based on an OSA valuation performed as of June 30, 2021, with the results rolled forward to the measurement date of June 30, 2022. Likewise, the University's 2022 pension liabilities are based on a valuation performed as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021.

The following actuarial assumptions have been applied to all prior periods included in the measurement:

2023	
INFLATION	2.75% TOTAL ECONOMIC INFLATION, 3.25% SALARY INFLATION
SALARY INCREASE	EXPECTED TO GROW BY PROMOTIONS AND LONGEVITY IN ADDITION TO SALARY INFLATION ASSUMPTION OF 3.25%
INVESTMENT RATE OF RETURN	7.00%

2022	
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, 2021 and 2020, were developed using the Society of Actuaries' Pub.H-2010 mortality rates, which vary by member status, as the base table. The OSA applied age offsets for each system, as appropriate, to better tailor the mortality rates to the demographics of each plan. The OSA applied the long-term MP-2017 generational improvement scale, also developed by the Society of Actuaries, to project mortality rates for every year after the 2010 base table. Under "generational" mortality, a member is assumed to receive additional mortality improvements in each future year throughout their lifetime.

The actuarial assumptions used in the June 30, 2021 valuations were based on the results of the 2013-2018 Demographic Experience Study Report and 2021 Economic Experience Study. The actuarial assumptions used in the June 30, 2020 valuations were based on the results of the 2013-2018 Demographic Experience Study Report and 2019 Economic Experience Study. Additional assumptions for subsequent events and law changes are current as of the dates of the respective actuarial valuation reports.

The long-term expected rates of return on pension plan investments was determined by the WSIB using a building block method in which a best estimate of expected future rates of return (expected returns, net of pension plan investment expense, including inflation) are developed for each major asset class. Those expected returns make up one component of WSIB's Capital Market Assumptions (CMAs). The 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 7.00% and 7.40% as of measurement dates June 30, 2022 and 2021, respectively, approximately equals the median of the simulated investment returns over a 50-year time horizon, adjusted to remove or damper any short-term changes that are not expected over the entire 50-year measurement period.

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

	2023 *(Measurement Date 2022)*		**2022** *(Measurement Date 2021)*	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	1.50%	20.00%	2.20%
TANGIBLE ASSETS	7.00%	4.70%	7.00%	5.10%
REAL ESTATE	18.00%	5.40%	18.00%	5.80%
GLOBAL EQUITY	32.00%	5.90%	32.00%	6.30%
PRIVATE EQUITY	23.00%	8.90%	23.00%	9.30%

The inflation component used to create the above table was 2.20% for the June 30, 2021 and 2020 actuarial valuations, and represents WSIB's most recent long-term estimate of broad economic inflation at the time of these valuations.

DISCOUNT RATE

The discount rate used to measure the total pension liabilities as of June 30, 2023 and 2022 was 7.00% and 7.40%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at contractually required rates, and that contributions from employers will be made at statutorily required rates, actuarially determined (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively). Based on those assumptions, the fiduciary net position for each pension plan was projected to be sufficient to make all projected future benefit payments of the current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Using the WSIB long-term expected rate of return, a 7.00% and 7.40% future investment rate of return on pension plan investments was assumed as of measurement dates June 30, 2022 and 2021, respectively. The expected return on plan assets is the estimated long-term rate of return that will be earned on the investments used to fund the pension obligation. Contributions from plan members and employers were assumed to continue to be made at contractually required rates (including the component of PERS 2/3 and TRS 2/3 employer rates pertaining to the unfunded actuarial accrued liability for PERS 1 and TRS 1, respectively, as provided for in chapter 41.45 of the RCW).

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

The following table presents the University's proportionate share of the net pension liabilities and assets calculated using the discount rate of 7.00% and 7.40% as of measurement dates June 30, 2022 and 2021, respectively, 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)*

	2023 *(Measurement Date 2022)*			2022 *(Measurement Date 2021)*		
Plan	**1% Decrease**	**Current Discount Rate**	**1% Increase**	**1% Decrease**	**Current Discount Rate**	**1% Increase**
PERS 1	$ 329,849	$ 246,895	$ 174,496	$ 183,066	$ 107,461	$ 41,526
PERS 2/3	500,962	(425,399)	(1,186,463)	(317,391)	(1,114,120)	(1,770,227)
TRS 1	9,445	6,956	4,780	4,479	2,337	467
TRS 2/3	12,906	(712)	(11,675)	1,622	(9,301)	(18,211)
LEOFF 2	(194)	(4,212)	(7,500)	(6,608)	(10,480)	(13,649)

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, 2023 and 2022:

(Dollars in Thousands)	PERS 1	PERS 2/3[(a)]	TRS 1	TRS 2/3[(a)]	LEOFF 2
2023					
CONTRIBUTION RATE	10.25 %	10.25 %	14.42 %	14.42 %	8.71 %
CONTRIBUTIONS MADE	$ 60,376	$ 99,838	$ 2,312	$ 2,863	$ 256
2022					
CONTRIBUTION RATE	12.97 %	12.97 %	15.74 %	15.74 %	8.77 %
CONTRIBUTIONS MADE	$ 54,344	$ 92,147	$ 1,877	$ 2,315	$ 321

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

UNIVERSITY PROPORTIONATE SHARE

Collective pension amounts are determined as of a measurement date, which can be no earlier than an employer's prior fiscal year. The measurement date for the net pension liabilities and assets recorded by the University as of June 30, 2023 was June 30, 2022. Employer contributions received and processed by the DRS during the fiscal year ended June 30, 2022 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, 2022 Schedules of Employer and Nonemployer Allocations. Likewise, the measurement date for the net pension liabilities and assets recorded by the University as of June 30, 2022 was June 30, 2021, with employer contributions received and processed by the DRS during the fiscal year ended June 30, 2021, 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, 2023	8.87 %	11.47 %	0.37 %	0.36 %	0.15 %
YEAR ENDED JUNE 30, 2022	8.80 %	11.18 %	0.35 %	0.34 %	0.18 %

UNIVERSITY AGGREGATED BALANCES

The table below presents the University's aggregated balance of net pension liability and net pension asset as of June 30 2023 and 2022:

(Dollars in Thousands)	PERS 1	PERS 2/3	TRS 1	TRS 2/3	LEOFF 2	TOTAL
2023						
NET PENSION LIABILITY	$ 246,895	$ —	$ 6,956	$ —	$ —	$ 253,851
NET PENSION ASSET	—	425,399	—	712	4,211	430,322
2022						
NET PENSION LIABILITY	$ 107,461	$ —	$ 2,337	$ —	$ —	$ 109,798
NET PENSION ASSET	—	1,114,120	—	9,301	10,480	1,133,901

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, 2023	$ 115,449	$ (138,626)	$ 4,239	$ (68)	$ 680	$ (18,326)
YEAR ENDED JUNE 30, 2022	2,082	(250,731)	903	(1,000)	(1,484)	(250,230)

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*						
2023	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
CHANGE IN ASSUMPTIONS	$ —	$ 237,101	$ —	$ 4,013	$ 1,067	$ 242,181
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	105,404	—	3,550	1,001	109,955
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	6,876	—	757	1,459	9,092
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [(a)]	60,376	99,838	2,312	2,863	256	165,645
TOTAL	**$ 60,376**	**$ 449,219**	**$ 2,312**	**$ 11,183**	**$ 3,783**	**$ 526,873**
2022						
CHANGE IN ASSUMPTIONS	$ —	$ 1,628	$ —	$ 579	$ 5	$ 2,212
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	54,111	—	2,890	475	57,476
CHANGE IN UNIVERSITY'S PROPORTIONATE SHARE	—	11,858	—	1,012	873	13,743
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE NET PENSION LIABILITY [(b)]	54,344	92,147	1,877	2,315	321	151,004
TOTAL	**$ 54,344**	**$ 159,744**	**$ 1,877**	**$ 6,796**	**$ 1,674**	**$ 224,435**

(a) Recognized as a reduction of the net pension liability as of June 30, 2024
(b) Recognized as a reduction of the net pension liability as of June 30, 2023

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*						
2023	**PERS 1**	**PERS 2/3**	**TRS 1**	**TRS 2/3**	**LEOFF 2**	**TOTAL**
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 40,918	$ 314,500	$ 1,246	$ 3,768	$ 1,410	$ 361,842
CHANGE IN ASSUMPTIONS	—	62,082	—	436	367	62,885
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	9,630	—	72	39	9,741
TOTAL	**$ 40,918**	**$ 386,212**	**$ 1,246**	**$ 4,276**	**$ 1,816**	**$ 434,468**
2022						
DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS, NET	$ 119,246	$ 931,143	$ 3,503	$ 10,844	$ 4,997	$ 1,069,733
CHANGE IN ASSUMPTIONS	—	79,121	—	489	498	80,108
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	—	13,658	—	75	55	13,788
TOTAL	**$ 119,246**	**$ 1,023,922**	**$ 3,503**	**$ 11,408**	**$ 5,550**	**$ 1,163,629**

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
2024	$ (17,316)	$ (95,735)	$ (528)	$ (599)	$ (268)	$ (114,446)
2025	(15,727)	(85,508)	(480)	(440)	(209)	(102,364)
2026	(19,729)	(103,015)	(604)	(773)	(336)	(124,457)
2027	11,854	146,439	366	2,226	783	161,668
2028	—	51,746	—	943	339	53,028
THEREAFTER	—	49,242	—	2,687	1,402	53,331
TOTAL	**$ (40,918)**	**$ (36,831)**	**$ (1,246)**	**$ 4,044**	**$ 1,711**	**$ (73,240)**

(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, 2023 and 2022 was 19,811 and 19,609, 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, 2023 and 2022 were $155.7 million and $145.2 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, 2023 and 2022 net pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the UWSRP and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported in the state of Washington's Annual Comprehensive Financial Report, which is available at https://ofm.wa.gov/accounting/financial-audit-reports/annual-comprehensive-financial-report.

The UWSRP was closed to new participants effective March 1, 2011. UWSRP membership requires participation in the UWRP. Participant data is updated biannually in the actuarial valuations. The table below shows the number of participants in the UWSRP as of June 30, 2023 and 2022:

NUMBER OF PARTICIPANTS	June 30, 2023	June 30, 2022
ACTIVE EMPLOYEES	4,117	5,081
INACTIVE EMPLOYEES RECEIVING BENEFITS	1,289	1,076
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	341	160

VESTING AND BENEFITS PROVIDED

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

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

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

When the goal income exceeds the assumed income, the participant is entitled to benefits under this plan. Benefit payments made during the years ended June 30, 2023 and 2022 were $11.0 million and $10.3 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 years ended June 30, 2023 and 2022 per RCW 28B.10.423 was 0.38% of UWRP covered salaries. Contributions made in the fiscal year ended June 30, 2023 and 2022 were $8.4 million and $6.6 million, respectively. Prior to fiscal year 2021 employer contributions were not required.

PLAN INVESTMENTS

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

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

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

The money-weighted rates of return are provided by the WSIB and the Office of the State Treasurer. The annual money-weighted rate of return on UWSRP investments, net of pension plan investment expense for the years ended June 30, 2023 and 2022 was 7.16% and 0.12%, respectively. This money-weighted rate of return expresses investment performance, net of pension plan investment expense, and reflects both the size and timing of external cash flows.

OTHER DESIGNATED ASSETS

The University has also 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, 2023 and 2022, the University had set aside $342.0 million and $345.3 million, respectively, to pay future UWSRP retiree benefits. 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.

UWSRP PENSION LIABILITY

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 uses accounting guidance for single employer plans that have trusted assets and reports the pension liability net of plan assets.

The components of the UWSRP liability were as follows:

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

	TPL (a)	PLAN FIDUCIARY NET POSITION (b)	NPL (a) minus (b)
BALANCE AS OF JULY 1, 2021	**$ 216,672**	**$ 90,341**	**$ 126,331**
SERVICE COST	3,699	—	3,699
INTEREST ON TPL	15,933	—	15,933
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	67,986	—	67,986
CHANGE IN ASSUMPTIONS	22,150	—	22,150
EMPLOYER CONTRIBUTIONS	—	6,548	(6,548)
INVESTMENT INCOME	—	100	(100)
BENEFIT PAYMENTS	(10,313)	—	(10,313)
NET CHANGES	99,455	6,648	92,807
BALANCE AS OF JUNE 30, 2022	**316,127**	**96,989**	**219,138**
SERVICE COST	5,068	—	5,068
INTEREST ON TPL	22,106	—	22,106
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(31,360)	—	(31,360)
CHANGE IN ASSUMPTIONS	(26,643)	—	(26,643)
EMPLOYER CONTRIBUTIONS	—	8,358	(8,358)
INVESTMENT INCOME	—	7,189	(7,189)
BENEFIT PAYMENTS	(10,989)	—	(10,989)
NET CHANGES	(41,818)	15,547	(57,365)
BALANCE AS OF JUNE 30, 2023	**$ 274,309**	**$ 112,536**	**$ 161,773**

The June 30, 2023 TPL is based on an actuarial valuation performed as of January 1, 2023 with update procedures performed by the OSA to roll forward the TPL to the measurement date of June 30, 2023. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). Based on information provided by TIAA and OSA's professional judgment, some of the long-term assumptions were updated which decreased the TPL as of June 30, 2023. The valuation was prepared using the entry age actuarial cost method.

The June 30, 2022 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, 2022. The valuation was prepared using the entry age actuarial cost method.

UWSRP pension expense for the years ended June 30, 2023 and 2022 was $(39.8) million and $(37.8) million, respectively, and is reported in the accompanying statements of revenues, expenses and changes in net position as a reduction benefits expense.

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, 2023 and 2022:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE UWSRP NET PENSION LIABILITY (NPL) *(Dollars in thousands)*		
	2023	**2022**
INFLATION	2.75%	2.75%
SALARY CHANGES	4.00%	4.00%
SOURCE OF MORTALITY ASSUMPTIONS	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE	PUB. H-2010 TABLES, WITH THE MP-2017 MORTALITY IMPROVEMENT SCALE
DATE OF EXPERIENCE STUDY	AUGUST 2021	AUGUST 2021
DISCOUNT RATE	7.00%	7.00%
CHANGE IN DISCOUNT RATE SINCE PRIOR MEASUREMENT DATE	NA	(0.40)%
SOURCE OF DISCOUNT RATE	2021 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY	2021 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY
INVESTMENT RATE OF RETURN	7.00%	7.00%
NPL MEASUREMENT AT DISCOUNT RATE	$161,773	$219,138
NPL DISCOUNT RATE INCREASED 1%	$135,272	$188,305
NPL DISCOUNT RATE DECREASED 1%	$192,736	$255,190

There were no changes to the significant assumptions used for the period ending June 30, 2023.

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

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation for both June 30, 2023 and 2022, are summarized in the following table:

	2023		2022	
Asset Class	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**	**Target Allocation**	**Long-Term Expected Arithmetic Real Rate of Return**
FIXED INCOME	20.00%	1.50%	20.00%	2.20%
TANGIBLE ASSETS	7.00%	4.70%	7.00%	5.10%
REAL ESTATE	18.00%	5.40%	18.00%	5.80%
GLOBAL EQUITY	32.00%	5.90%	32.00%	6.30%
PRIVATE EQUITY	23.00%	8.90%	23.00%	9.30%

As noted above, the discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that the University would pay retiree benefits from assets designated for that purpose, until such time that responsibility for these payments transfers to the DRS and payments are funded by the plan assets invested in the CTF. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

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)*		
2023		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	100,648
CHANGE IN ASSUMPTIONS		95,609
TOTAL	**$**	**196,257**
2022		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	127,881
CHANGE IN ASSUMPTIONS		123,322
TOTAL	**$**	**251,203**

DEFERRED INFLOWS OF RESOURCES *(Dollars in thousands)*		
2023		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	259,025
CHANGE IN ASSUMPTIONS		158,992
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		2,998
TOTAL	**$**	**421,015**
2022		
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	$	298,872
CHANGE IN ASSUMPTIONS		173,835
NET DIFFERENCE BETWEEN PROJECTED AND ACTUAL EARNINGS ON PLAN INVESTMENTS		5,045
TOTAL	**$**	**477,752**

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the UWSRP will be recognized in pension expense as follows:

AMORTIZATION OF DEFERRED INFLOWS AND DEFERRED OUTFLOWS OF RESOURCES *(a) (Dollars in thousands)*		
Year		
2024	$	(59,906)
2025		(46,326)
2026		(37,008)
2027		(71,315)
2028		(8,332)
THEREAFTER		(1,871)
TOTAL	**$**	**(224,758)**

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

NOTE 13:

Other Post Employment Benefits (OPEB)

PLAN DESCRIPTION

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

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

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

- The implicit subsidy, set up under RCW 41.05.022, is not a direct payment from the employer on behalf of the retiree. Retirees who are not yet eligible for Medicare benefits may currently continue to participate in the state's non-Medicare community-rated health insurance risk pool. Claims experience for employees and non-Medicare eligible retirees are pooled when determining premiums. Therefore, these retired members pay a premium based on a pool of members that, on average, are younger and healthier. This results in an implicit subsidy since the premiums paid by retirees are lower than they would have been if the retirees were insured separately.
- The explicit subsidy, permitted under RCW 41.05.085, is a set dollar amount which lowers the monthly premium paid by members enrolled in Medicare Parts A and B. PEBB determines the amount of the explicit subsidy applicable to each calendar year, with the final amount approved by the state Legislature. The subsidy was $183 per member per month during fiscal year 2023 and 2022.

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, 2023 and 2022:

NUMBER OF PARTICIPANTS	**2023** *(Measurement Date: 2022)*	**2022** *(Measurement Date: 2021)*
ACTIVE EMPLOYEES	37,659	37,168
INACTIVE EMPLOYEES RECEIVING BENEFITS	10,892	10,310
INACTIVE EMPLOYEES ENTITLED TO, BUT NOT RECEIVING, BENEFITS	N/A *	1,726

• Data not available from Washington State Health Care Authority (HCA)

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, 2023 and 2022:

SIGNIFICANT ASSUMPTIONS USED TO MEASURE THE TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
	2023	**2022**
INFLATION	2.35%	2.75%
HEALTHCARE COST TREND	INITIAL RATE RANGES FROM 2% - 11%, REACHING AN ULTIMATE RATE OF 3.80% IN 2080.	INITIAL RATE RANGES FROM 2% - 11% REACHING AN ULTIMATE RATE OF 4.30% IN 2075.
SALARY INCREASE	3.25% PLUS SERVICE-BASED SALARY INCREASES	3.50% PLUS SERVICE-BASED SALARY INCREASES
SOURCE OF MORTALITY ASSUMPTIONS	SOCIETY OF ACTUARIES' PUB.H-2010 MORTALITY RATES, WITH APPLICATION OF THE LONG-TERM MP-2017 GENERATIONAL IMPROVEMENT SCALE AND UPDATED BASED ON RESULTS OF THE 2013-2018 DEMOGRAPHIC EXPERIENCE STUDY REPORT AND THE 2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY.	SOCIETY OF ACTUARIES' PUB.H-2010 MORTALITY RATES, WITH APPLICATION OF THE LONG-TERM MP-2017 GENERATIONAL IMPROVEMENT SCALE AND UPDATED BASED ON RESULTS OF THE 2013-2018 DEMOGRAPHIC EXPERIENCE STUDY REPORT AND THE 2019 REPORT ON FINANCIAL CONDITION AND ECONOMIC EXPERIENCE STUDY.
DATE OF EXPERIENCE STUDY	2013-2018 EXPERIENCE STUDY REPORT	2013-2018 EXPERIENCE STUDY REPORT
DISCOUNT RATE	3.54%	2.16%
SOURCE OF DISCOUNT RATE	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/22 (MEASUREMENT DATE)	BOND BUYER GENERAL OBLIGATION 20-BOND MUNICIPAL BOND INDEX AS OF 6/30/21 (MEASUREMENT DATE)
POST-RETIREMENT PARTICIPATION PERCENTAGE	60.00%	65.00%
TOL MEASUREMENT AT DISCOUNT RATE	$1,246,057	$1,861,478
TOL DISCOUNT RATE INCREASED 1%	$1,073,843	$1,555,274
TOL DISCOUNT RATE DECREASED 1%	$1,460,075	$2,255,312
TOL MEASUREMENT AT HEALTHCARE COST TREND RATE	$1,246,057	$1,861,478
TOL HEALTHCARE COST TREND RATE INCREASED 1%	$1,490,461	$2,347,529
TOL HEALTHCARE COST TREND RATE DECREASED 1%	$1,055,017	$1,501,796

Material assumption changes during the measurement period ending June 30, 2022 include updating the discount rate, as required by GASB 75, and updating the inflation rate, the forecast of healthcare cost trend rate, the salary increase percentage, and the post-retirement participation percentage. Material assumption changes during the measurement period ending June 30, 2021 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, 2023 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2022. The measurement date for the TOL as of June 30, 2022 was the same as the valuation date. The TOL for the state of Washington as of June 30, 2022 was determined by an actuarial valuation, conducted by the OSA, using data as of June 30, 2020, with the results rolled forward to the measurement date of June 30, 2021. 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 29.3% and 28.8% as of June 30, 2023 and 2022, respectively.

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

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL) *(Dollars in thousands)*		
BALANCE AS OF JULY 1, 2021	**$**	**1,696,027**
SERVICE COST		93,039
INTEREST ON TOL		40,211
CHANGE IN ASSUMPTIONS		17,180
BENEFIT PAYMENTS		(30,635)
CHANGE IN PROPORTIONATE SHARE		45,656
BALANCE AS OF JUNE 30, 2022		**1,861,478**
SERVICE COST		91,921
INTEREST ON TOL		42,650
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE		(42,238)
CHANGE IN ASSUMPTIONS		(713,147)
BENEFIT PAYMENTS		(31,335)
CHANGE IN PROPORTIONATE SHARE		36,728
BALANCE AS OF JUNE 30, 2023	**$**	**1,246,057**

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, 2023	$	18,270
YEAR ENDED JUNE 30, 2022		97,356

DEFERRED OUTFLOWS OF RESOURCES *(Dollars in Thousands)*		
2023		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	25,976
CHANGE IN ASSUMPTIONS		102,128
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		31,448
CHANGE IN PROPORTIONATE SHARE		142,225
TOTAL	**$**	**301,777**
2022		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	31,841
CHANGE IN ASSUMPTIONS		118,548
UNIVERSITY CONTRIBUTIONS SUBSEQUENT TO THE MEASUREMENT DATE OF THE COLLECTIVE TOTAL OPEB LIABILITY		30,790
CHANGE IN PROPORTIONATE SHARE		123,536
TOTAL	**$**	**304,715**

DEFERRED INFLOWS OF RESOURCES *(Dollars in Thousands)*		
2023		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	43,843
CHANGE IN ASSUMPTIONS		903,349
CHANGE IN PROPORTIONATE SHARE		12,559
TOTAL	**$**	**959,751**
2022		
DIFFERENCES BETWEEN EXPECTED AND ACTUAL EXPERIENCE IN THE MEASUREMENT OF THE TOTAL OPEB LIABILITY	$	7,206
CHANGE IN ASSUMPTIONS		337,494
CHANGE IN PROPORTIONATE SHARE		15,748
TOTAL	**$**	**360,448**

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		
2024	$	(116,362)
2025		(116,362)
2026		(116,362)
2027		(85,997)
2028		(45,717)
THEREAFTER		(208,622)
TOTAL	**$**	**(689,422)**

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

NOTE 14:

Deferred Outflows and Deferred Inflows of Resources

The composition of deferred outflows and deferred inflows of resources as of June 30, 2023 and 2022 are summarized as follows:

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

2023	Pensions	Leases	OPEB	Split-Interest Agreements	Other	Total
DEFERRED OUTFLOWS OF RESOURCES	$ 723,130	$ —	$ 301,777	$ —	$ 5,529	$ 1,030,436
DEFERRED INFLOWS OF RESOURCES	855,483	397,417	959,751	18,451	—	2,231,102
2022	**Pensions**	**Leases**	**OPEB**	**Split-Interest Agreements**	**Other**	**Total**
DEFERRED OUTFLOWS OF RESOURCES	$ 475,638	$ —	$ 304,715	$ —	$ 8,088	$ 788,441
DEFERRED INFLOWS OF RESOURCES	1,641,381	435,238	360,448	30,290	—	2,467,357

NOTE 15:

Commitments and Contingencies

Authorized expenditures for construction projects unexpended as of June 30, 2023 and 2022 were $212.6 million and $401.9 million, respectively. These expenditures will be funded from institutional reserves, debt proceeds and state appropriations.

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

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

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

The self-insurance reserve is estimated using an actuarial calculation. The reserve is included in Long-Term Liabilities in the Statements of Net Position. Changes in the self-insurance reserve for the years ended June 30, 2023 and 2022 are noted below:

(Dollars in thousands)	**2023**	**2022**
RESERVE AT BEGINNING OF FISCAL YEAR	$ 241,999	$ 180,514
INCURRED CLAIMS AND CHANGES IN ESTIMATES	82,066	112,713
CLAIM PAYMENTS	(93,961)	(51,228)
RESERVE AT END OF FISCAL YEAR	**$ 230,104**	**$ 241,999**

REGULATORY ENVIRONMENT

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.

NOTE 16:

Operating Expenses by Function

Operating expenses by functional classification for the years ended June 30, 2023 and 2022 are summarized as follows:

OPERATING EXPENSES *(Dollars in thousands)*	**2023**	**2022**
INSTRUCTION	$ 1,626,923	$ 1,532,649
RESEARCH	1,004,482	920,212
PUBLIC SERVICE	146,172	106,823
ACADEMIC SUPPORT	742,650	640,870
STUDENT SERVICE	58,442	51,235
INSTITUTIONAL SUPPORT	316,397	125,529
OPERATION & MAINTENANCE OF PLANT	313,905	303,732
SCHOLARSHIPS & FELLOWSHIPS	210,930	212,822
AUXILIARY ENTERPRISES	705,916	622,221
MEDICAL-RELATED	2,319,995	2,002,245
DEPRECIATION/AMORTIZATION	523,294	462,835
TOTAL OPERATING EXPENSES	**$ 7,969,106**	**$ 6,981,173**

NOTE 17:

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 the University serves in an agency function. As of June 30, 2023, the University's financial statements included accounts receivable and long-term receivables from HMC of $76.0 million and $20.4 million, respectively, HMC investments of $1.9 million and current accrued liabilities and long-term liabilities of $67.9 million and $13.1 million, respectively, related to HMC. As of June 30, 2022, the University's financial statements included accounts receivable and long-term receivables from HMC of $47.7 million and $19.2 million, respectively, HMC investments of $4.4 million and current accrued liabilities and long-term liabilities of $48.5 million and $21.6 million, respectively, related to HMC.

Under an annual agreement, HMC provides strategic funding to UW Medicine Primary Care. Funding from HMC to UW Medicine Primary Care was $16.7 million and $11.4 million during fiscal years 2023 and 2022, respectively, and is included in other operating revenue in the Statements of Revenues, Expenses and Changes in Net Position.

UW Medicine information technology operates as a self-sustaining activity of the University (ITS department). The ITS department records enterprise-wide information technology capital assets that are purchased for use by UW Medicine entities. The HMC ITS funding reflected in long-term liabilities (see note 9) of $21.7 million and $21.6 million at June 30, 2023 and 2022, respectively, represents HMC's funding of the enterprise-wide information technology capital assets that will be included in the recharge rates of the ITS department over the useful life of the assets.

The University of Washington Foundation (UWF) is a nonprofit organization that performs fundraising activities on behalf of the University. The UWF is not included in the University's financial statements as a component unit because gifts and grants that are made to the UWF are immediately transferred to the University. In 2023 and 2022, the UWF transferred $176.0 million and $218.6 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 $5.2 million and $4.1 million from the University in support of its operations in fiscal years 2023 and 2022, respectively. These amounts were expensed by the University.

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NOTE 18:

Blended Component Units

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

(Dollars in thousands) **Statements of Net Position – June 30, 2023**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
ASSETS							
TOTAL CURRENT ASSETS	$ 3,092,098	$ (63,680)	$ 3,023,292	$ 132,486	$ 92,033	$ 5,442	$ 35,011
NONCURRENT ASSETS:							
TOTAL OTHER ASSETS	8,038,543	(201,734)	7,964,104	276,173	173,942	13,600	88,631
CAPITAL ASSETS, NET	6,186,205	(16,309)	5,873,954	328,560	52,082	276,478	—
TOTAL ASSETS	17,316,846	(281,723)	16,861,350	737,219	318,057	295,520	123,642
DEFERRED OUTFLOWS OF RESOURCES	1,030,436	—	1,030,436	—	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 18,347,282**	**$ (281,723)**	**$ 17,891,786**	**$ 737,219**	**$ 318,057**	**$ 295,520**	**$ 123,642**
LIABILITIES							
TOTAL CURRENT LIABILITIES	$ 1,646,974	$ (19,515)	$ 1,577,013	$ 89,476	$ 64,189	$ 25,287	$ —
TOTAL NONCURRENT LIABILITIES	5,221,505	(223,460)	4,706,735	738,230	238,089	270,036	230,105
TOTAL LIABILITIES	6,868,479	(242,975)	6,283,748	827,706	302,278	295,323	230,105
DEFERRED INFLOWS OF RESOURCES	2,231,102	(8,747)	2,239,849	—	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,099,581	(251,722)	8,523,597	827,706	302,278	295,323	230,105
NET POSITION							
NET INVESTMENT IN CAPITAL ASSETS	2,908,340	—	2,908,440	(100)	8,855	(8,955)	—
RESTRICTED:							
NONEXPENDABLE	2,205,790	—	2,205,790	—	—	—	—
EXPENDABLE	3,091,076	—	3,091,076	—	—	—	—
UNRESTRICTED	1,042,495	(30,001)	1,162,883	(90,387)	6,924	9,152	(106,463)
TOTAL NET POSITION	9,247,701	(30,001)	9,368,189	(90,487)	15,779	197	(106,463)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 18,347,282**	**$ (281,723)**	**$ 17,891,786**	**$ 737,219**	**$ 318,057**	**$ 295,520**	**$ 123,642**

(Dollars in thousands) **Statements of Net Position – June 30, 2022**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
ASSETS							
TOTAL CURRENT ASSETS	$ 2,756,445	$ (35,817)	$ 2,632,561	$ 159,701	$ 92,755	$ 3,219	$ 63,727
NONCURRENT ASSETS:							
TOTAL OTHER ASSETS	8,876,832	(9,289)	8,592,900	293,221	149,424	12,995	130,802
CAPITAL ASSETS, NET	5,941,654	(10,528)	5,617,192	334,990	39,655	295,335	—
TOTAL ASSETS	17,574,931	(55,634)	16,842,653	787,912	281,834	311,549	194,529
DEFERRED OUTFLOWS OF RESOURCES	788,441	—	788,441	—	—	—	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 18,363,372**	**$ (55,634)**	**$ 17,631,094**	**$ 787,912**	**$ 281,834**	**$ 311,549**	**$ 194,529**
LIABILITIES							
TOTAL CURRENT LIABILITIES	$ 1,702,790	$ (15,873)	$ 1,631,011	$ 87,652	$ 62,116	$ 25,306	$ 230
TOTAL NONCURRENT LIABILITIES	5,838,781	(23,382)	5,128,021	734,142	206,709	285,434	241,999
TOTAL LIABILITIES	7,541,571	(39,255)	6,759,032	821,794	268,825	310,740	242,229
DEFERRED INFLOWS OF RESOURCES	2,467,357	(10,528)	2,477,885	—	—	—	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	10,008,928	(49,783)	9,236,917	821,794	268,825	310,740	242,229
NET POSITION							
NET INVESTMENT IN CAPITAL ASSETS	2,707,261	—	2,710,145	(2,884)	5,364	(8,248)	—
RESTRICTED:							
NONEXPENDABLE	2,053,755	—	2,053,755	—	—	—	—
EXPENDABLE	2,874,694	—	2,874,694	—	—	—	—
UNRESTRICTED	718,734	(5,851)	755,583	(30,998)	7,645	9,057	(47,700)
TOTAL NET POSITION	8,354,444	(5,851)	8,394,177	(33,882)	13,009	809	(47,700)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 18,363,372**	**$ (55,634)**	**$ 17,631,094**	**$ 787,912**	**$ 281,834**	**$ 311,549**	**$ 194,529**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2023**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
REVENUES							
OPERATING REVENUES:							
STUDENT TUITION AND FEES	$ 1,158,213	$ —	$ 1,158,213	$ —	$ —	$ —	$ —
PATIENT SERVICES	2,564,243	2,305	2,124,833	437,105	437,105	—	—
GRANT REVENUE	1,864,531	—	1,864,531	—	—	—	—
OTHER OPERATING REVENUE	1,513,595	(317,685)	1,654,204	177,076	65,748	54,866	56,462
TOTAL OPERATING REVENUES	**7,100,582**	**(315,380)**	**6,801,781**	**614,181**	**502,853**	**54,866**	**56,462**
EXPENSES							
OPERATING EXPENSES:							
OTHER OPERATING EXPENSES	7,445,812	(245,387)	7,040,206	650,993	509,979	25,789	115,225
DEPRECIATION / AMORTIZATION	523,294	(1,782)	498,132	26,944	8,089	18,855	—
TOTAL OPERATING EXPENSES	**7,969,106**	**(247,169)**	**7,538,338**	**677,937**	**518,068**	**44,644**	**115,225**
OPERATING (LOSS) INCOME	**(868,524)**	**(68,211)**	**(736,557)**	**(63,756)**	**(15,215)**	**10,222**	**(58,763)**
NONOPERATING REVENUES (EXPENSES)							
STATE APPROPRIATIONS	531,999	—	531,999	—	—	—	—
GIFTS	182,137	—	181,862	275	275	—	—
INVESTMENT (LOSS)	437,589	—	423,358	14,231	14,231	—	—
OTHER NONOPERATING REVENUES (EXPENSES)	223,688	48,033	187,975	(12,320)	(1,486)	(10,834)	—
NET NONOPERATING REVENUES (EXPENSES)	**1,375,413**	**48,033**	**1,325,194**	**2,186**	**13,020**	**(10,834)**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**506,889**	**(20,178)**	**588,637**	**(61,570)**	**(2,195)**	**(612)**	**(58,763)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	280,602	(3,972)	279,609	4,965	4,965	—	—
GIFTS TO PERMANENT ENDOWMENTS	105,766	—	105,766	—	—	—	—
TOTAL OTHER REVENUES(EXPENSES)	**386,368**	**(3,972)**	**385,375**	**4,965**	**4,965**	**—**	**—**
INCREASE (DECREASE) IN NET POSITION	**893,257**	**(24,150)**	**974,012**	**(56,605)**	**2,770**	**(612)**	**(58,763)**
NET POSITION							
NET POSITION – BEGINNING OF YEAR	8,354,444	(5,851)	8,394,177	(33,882)	13,009	809	(47,700)
NET POSITION – END OF YEAR	**$ 9,247,701**	**$ (30,001)**	**$ 9,368,189**	**$ (90,487)**	**$ 15,779**	**$ 197**	**$ (106,463)**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position - Year Ended June 30, 2022**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
REVENUES							
OPERATING REVENUES:							
STUDENT TUITION AND FEES	$ 1,125,269	$ —	$ 1,125,269	$ —	$ —	$ —	$ —
PATIENT SERVICES	2,442,588	(13,834)	2,016,523	439,899	439,899	—	—
GRANT REVENUE	1,661,713	—	1,661,713	—	—	—	—
OTHER OPERATING REVENUE	1,619,680	(117,690)	1,572,195	165,175	44,658	50,647	69,870
TOTAL OPERATING REVENUES	**6,849,250**	**(131,524)**	**6,375,700**	**605,074**	**484,557**	**50,647**	**69,870**
EXPENSES							
OPERATING EXPENSES:							
OTHER OPERATING EXPENSES	6,518,338	(103,879)	6,031,907	590,310	466,054	21,566	102,690
DEPRECIATION / AMORTIZATION	462,835	(1,602)	436,808	27,629	7,518	20,111	—
TOTAL OPERATING EXPENSES	**6,981,173**	**(105,481)**	**6,468,715**	**617,939**	**473,572**	**41,677**	**102,690**
OPERATING INCOME (LOSS)	**(131,923)**	**(26,043)**	**(93,015)**	**(12,865)**	**10,985**	**8,970**	**(32,820)**
NONOPERATING REVENUES (EXPENSES)							
STATE APPROPRIATIONS	484,915	—	484,915	—	—	—	—
GIFTS	218,012	—	218,017	(5)	(5)	—	—
INVESTMENT INCOME	(469,435)	—	(449,455)	(19,980)	(19,980)	—	—
OTHER NONOPERATING REVENUES (EXPENSES)	105,404	36,695	74,912	(6,203)	5,064	(11,267)	—
NET NONOPERATING REVENUES (EXPENSES)	**338,896**	**36,695**	**328,389**	**(26,188)**	**(14,921)**	**(11,267)**	**—**
INCOME (LOSS) BEFORE OTHER REVENUES	**206,973**	**10,652**	**235,374**	**(39,053)**	**(3,936)**	**(2,297)**	**(32,820)**
CAPITAL APPROPRIATIONS, GRANTS, GIFTS AND OTHER	174,769	(5,206)	173,468	6,507	6,507	—	—
GIFTS TO PERMANENT ENDOWMENTS	91,610	—	91,610	—	—	—	—
TOTAL OTHER REVENUES (EXPENSES)	**266,379**	**(5,206)**	**265,078**	**6,507**	**6,507**	**—**	**—**
INCREASE (DECREASE) IN NET POSITION	**473,352**	**5,446**	**500,452**	**(32,546)**	**2,571**	**(2,297)**	**(32,820)**
NET POSITION							
NET POSITION – BEGINNING OF YEAR	7,881,092	(11,297)	7,893,725	(1,336)	10,438	3,106	(14,880)
NET POSITION – END OF YEAR	**$ 8,354,444**	**$ (5,851)**	**$ 8,394,177**	**$ (33,882)**	**$ 13,009**	**$ 809**	**$ (47,700)**

(Dollars in thousands) **Statements of Cash Flows - Year Ended June 30, 2023**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
NET CASH PROVIDED (USED) BY:							
OPERATING ACTIVITIES	$ (752,714)	$ —	$ (710,889)	$ (41,825)	$ (17,401)	$ 17,323	$ (41,747)
NONCAPITAL FINANCING ACTIVITIES	1,050,872	—	1,023,320	27,552	27,552	—	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(543,930)	—	(519,032)	(24,898)	(8,068)	(16,830)	—
INVESTING ACTIVITIES	232,529	—	201,005	31,524	(10,223)		41,747
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(13,243)**	**—**	**(5,596)**	**(7,647)**	**(8,140)**	**493**	**—**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	162,736	—	72,736	90,000	74,334	15,666	—
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 149,493**	**$ —**	**$ 67,140**	**$ 82,353**	**$ 66,194**	**$ 16,159**	**$ —**

(Dollars in thousands) **Statements of Cash Flows- Year Ended June 30, 2022**	**Combined Entities**	**Eliminations**	**University of Washington**	**Total Blended Component Units**	**Medical Entities**	**Real Estate Entities**	**Portage Bay Insurance**
NET CASH PROVIDED (USED) BY:							
OPERATING ACTIVITIES	$ (123,430)	$ —	$ (168,287)	$ 44,857	$ 12,133	$ 15,683	$ 17,041
NONCAPITAL FINANCING ACTIVITIES	871,719	—	844,684	27,035	27,035	—	—
CAPITAL AND RELATED FINANCING ACTIVITIES	(424,518)	—	(407,035)	(17,483)	(1,368)	(16,115)	—
INVESTING ACTIVITIES	(302,959)	—	(260,191)	(42,768)	(25,727)	—	(17,041)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**20,812**	**—**	**9,171**	**11,641**	**12,073**	**(432)**	**—**
CASH AND CASH EQUIVALENTS - BEGINNING OF THE YEAR	141,924	—	63,565	78,359	62,261	16,098	—
CASH AND CASH EQUIVALENTS - END OF YEAR	**$ 162,736**	**$ —**	**$ 72,736**	**$ 90,000**	**$ 74,334**	**$ 15,666**	**$ —**

NOTE 19:

Discrete Component Units

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

(Dollars in thousands) **Statements of Net Position**	**June 30, 2023** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**	**June 30, 2022** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**
ASSETS						
TOTAL CURRENT ASSETS	$ 683,350	$ 230,155	$ 453,195	$ 1,832,376	$ 227,094	$ 1,605,282
NONCURRENT ASSETS:						
TOTAL OTHER ASSETS	1,937,421	120,056	1,817,365	490,145	142,362	347,783
CAPITAL ASSETS, NET	1,589,547	464,004	1,125,543	1,537,261	498,175	1,039,086
TOTAL ASSETS	4,210,318	814,215	3,396,103	3,859,782	867,631	2,992,151
DEFERRED OUTFLOWS OF RESOURCES	11,804	11,804	—	12,926	12,926	—
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	**$ 4,222,122**	**$ 826,019**	**$ 3,396,103**	**$ 3,872,708**	**$ 880,557**	**$ 2,992,151**
LIABILITIES						
TOTAL CURRENT LIABILITIES	$ 471,643	$ 173,944	$ 297,699	$ 499,524	$ 214,112	$ 285,412
TOTAL NONCURRENT LIABILITIES	2,091,853	367,949	1,723,904	2,150,430	388,074	1,762,356
TOTAL LIABILITIES	2,563,496	541,893	2,021,603	2,649,954	602,186	2,047,768
DEFERRED INFLOWS OF RESOURCES	48,992	48,992	—	54,332	54,332	—
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	2,612,488	590,885	2,021,603	2,704,286	656,518	2,047,768
NET POSITION						
NET INVESTMENT IN CAPITAL ASSETS	188,754	77,063	111,691	102,860	97,276	5,584
RESTRICTED:						
NONEXPENDABLE	136,368		136,368	117,649	—	117,649
EXPENDABLE	502,581	1,897	500,684	88,283	1,337	86,946
UNRESTRICTED	781,931	156,174	625,757	859,630	125,426	734,204
TOTAL NET POSITION	1,609,634	235,134	1,374,500	1,168,422	224,039	944,383
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	**$ 4,222,122**	**$ 826,019**	**$ 3,396,103**	**$ 3,872,708**	**$ 880,557**	**$ 2,992,151**

(Dollars in thousands) **Statements of Revenues, Expenses and Changes in Net Position**	**Year ended June 30, 2023** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**	**Year ended June 30, 2022** **Total Discrete Component Units**	**Valley Medical Center**	**Fred Hutchinson Cancer Center**
REVENUES						
OPERATING REVENUES:						
PATIENT SERVICES	$ 1,974,067	$ 802,523	$ 1,171,544	$ 1,000,504	$ 730,575	$ 269,929
OTHER OPERATING REVENUE	1,202,084	86,479	1,115,605	852,322	66,842	785,480
TOTAL OPERATING REVENUES	**3,176,151**	**889,002**	**2,287,149**	**1,852,826**	**797,417**	**1,055,409**
EXPENSES						
OPERATING EXPENSES:						
OTHER OPERATING EXPENSES	2,747,239	866,003	1,881,236	1,844,661	822,850	1,021,811
DEPRECIATION / AMORTIZATION	143,893	49,384	94,509	99,528	43,836	55,692
TOTAL OPERATING EXPENSES	**2,891,132**	**915,387**	**1,975,745**	**1,944,189**	**866,686**	**1,077,503**
OPERATING INCOME (LOSS)	**285,019**	**(26,385)**	**311,404**	**(91,363)**	**(69,269)**	**(22,094)**
NONOPERATING REVENUES (EXPENSES)						
PROPERTY TAX REVENUE	25,595	25,595	—	24,965	24,965	—
INVESTMENT INCOME (LOSS)	101,080	(334)	101,414	(99,120)	(8,193)	(90,927)
OTHER NONOPERATING REVENUES (EXPENSES)	12,219	12,219	—	(6,510)	(6,510)	—
NET NONOPERATING REVENUES (EXPENSES)	**138,894**	**37,480**	**101,414**	**(80,665)**	**10,262**	**(90,927)**
INCOME (LOSS) BEFORE OTHER REVENUES	**423,913**	**11,095**	**412,818**	**(172,028)**	**(59,007)**	**(113,021)**
CAPITAL GRANTS, GIFTS AND OTHER	17,299	—	17,299	(11,138)	—	(11,138)
INCREASE (DECREASE) IN NET POSITION	**441,212**	**11,095**	**430,117**	**(183,166)**	**(59,007)**	**(124,159)**
NET POSITION						
NET POSITION – BEGINNING OF YEAR	1,168,422	224,039	944,383	1,351,588	283,046	1,068,542
NET POSITION – END OF YEAR	**$ 1,609,634**	**$ 235,134**	**$ 1,374,500**	**$ 1,168,422**	**$ 224,039**	**$ 944,383**

Schedules of Required Supplementary Information

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

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

(Dollars in thousands)	2023	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	8.87%	8.80%	8.17%	8.05%	8.20%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 246,895	$ 107,461	$ 288,564	$ 309,671	$ 366,403
UNIVERSITY'S COVERED PAYROLL	$ 1,437,993	$ 1,343,149	$ 1,227,868	$ 1,116,298	$ 1,074,943
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	17.17%	8.00%	23.50%	27.74%	34.09%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	76.56%	88.74%	68.64%	67.12%	63.22%

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

(Amounts determined as of the measurement date)

PERS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 392	$ 443	$ 710	$ 970	$ 1,231
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 392	$ 442	$ 710	$ 971	$ 1,234
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ 1	$ —	$ (1)	$ (3)
UNIVERSITY'S COVERED PAYROLL	$1,573,579	$ 1,437,993	$ 1,343,149	$ 1,227,868	$ 1,116,298
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.02 %	0.03%	0.05%	0.08%	0.11%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2023	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	11.47%	11.18%	10.47%	10.18%	10.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (425,399)	$ (1,114,120)	$ 133,891	$ 98,901	$ 174,913
UNIVERSITY'S COVERED PAYROLL	$ 1,433,725	$ 1,337,667	$1,220,321	$1,106,678	$1,062,415
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(29.67)%	(83.29)%	10.97%	8.94%	16.46%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	106.73%	120.29%	97.22 %	97.77 %	95.77 %

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

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

(Amounts determined as of the measurement date)

PERS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 162,654	$ 148,636	$ 173,198	$ 156,919	$ 141,681
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 162,738	$ 147,638	$ 173,204	$ 157,000	$ 141,618
CONTRIBUTION DEFICIENCY (EXCESS)	$ (84)	$ 998	$ (6)	$ (81)	$ 63
UNIVERSITY'S COVERED PAYROLL	$ 1,569,796	$ 1,433,725	$ 1,337,667	$ 1,220,321	$ 1,106,678
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	10.36%	10.37%	12.95%	12.86%	12.80%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2023	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.37%	0.35%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	$ 6,956	$ 2,337	$ 6,800	$ 6,200	$ 7,061
UNIVERSITY'S COVERED PAYROLL	$ 28,990	$ 25,479	$ 20,153	$ 16,677	$ 13,986
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	23.99%	9.17%	33.74%	37.18%	50.49%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	78.24%	91.42%	70.55%	70.37 %	66.52 %

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

(Amounts determined as of the measurement date)

Unaudited – see accompanying notes to financial statements

TRS 1 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 30	$ 42	$ 56	$ 55	$ 52
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 30	$ 42	$ 56	$ 55	$ 52
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ —	$ —	$ —
UNIVERSITY'S COVERED PAYROLL	$ 35,776	$ 28,990	$ 25,479	$ 20,153	$ 16,677
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.09%	0.15%	0.22%	0.27%	0.31%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2023	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION LIABILITY	0.36%	0.34%	0.28%	0.25%	0.24%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY	$ (712)	$ (9,301)	$ 4,233	$ 1,487	$ 1,066
UNIVERSITY'S COVERED PAYROLL	$ 28,704	$ 25,124	$ 19,800	$ 16,337	$ 13,664
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	(2.48)%	(37.02)%	21.38%	9.10%	7.80%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION LIABILITY	100.86%	113.72%	91.72%	96.36%	96.88%

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

(Amounts determined as of the measurement date)

TRS 2/3 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 5,210	$ 4,202	$ 3,945	$ 3,068	$ 2,511
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 5,212	$ 4,198	$ 3,943	$ 3,029	$ 2,470
CONTRIBUTION DEFICIENCY (EXCESS)	$ (2)	$ 4	$ 2	$ 39	$ 42
UNIVERSITY'S COVERED PAYROLL	$ 35,569	$ 28,704	$ 25,124	$ 19,800	$ 16,337
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	14.65%	14.64%	15.70%	15.49%	15.37%

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

(Amounts determined as of the fiscal year end)

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

(Dollars in thousands)	2023	2022	2021	2020	2019
UNIVERSITY'S PROPORTION OF THE NET PENSION ASSET	0.15%	0.18%	0.22%	0.23%	0.23%
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET	$ 4,212	$ 10,480	$ 4,535	$ 5,365	$ 4,590
UNIVERSITY'S COVERED PAYROLL	$ 3,760	$ 4,187	$ 5,059	$ 4,882	$ 4,487
UNIVERSITY'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AS A PERCENTAGE OF ITS COVERED PAYROLL	112.01%	250.30%	89.64%	109.91%	102.30%
PLAN FIDUCIARY NET POSITION AS A PERCENTAGE OF THE TOTAL PENSION	116.09%	142.00%	115.83%	119.43%	118.50%

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

(Amounts determined as of the measurement date)

LEOFF 2 - SCHEDULE OF CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021	2020	2019
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 262	$ 328	$ 367	$ 444	$ 436
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 262	$ 327	$ 367	$ 446	$ 435
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ 1	$ —	$ (2)	$ 1
UNIVERSITY'S COVERED PAYROLL	$ 3,004	$ 3,760	$ 4,187	$ 5,059	$ 4,882
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	8.71%	8.72%	8.77%	8.78%	8.93%

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

(Amounts determined as of the fiscal year end)

Unaudited – see accompanying notes to financial statements

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

(Dollars in thousands)	2023	2022	2021
TOTAL PENSION LIABILITY - BEGINNING	$ 316,127	$ 216,672	$ 781,829
SERVICE COST	5,068	3,699	22,877
INTEREST ON TPL	22,106	15,933	17,677
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(31,360)	67,986	(372,651)
CHANGE IN ASSUMPTIONS	(26,643)	22,150	(223,327)
BENEFIT PAYMENTS	(10,989)	(10,313)	(9,733)
NET CHANGE IN TOTAL PENSION LIABILITY	(41,818)	99,455	(565,157)
TOTAL PENSION LIABILITY - ENDING (a)	**274,309**	**316,127**	**216,672**
PLAN FIDUCIARY NET POSITION - BEGINNING	**96,989**	**90,341**	**60,961**
EMPLOYER CONTRIBUTIONS	8,358	6,548	7,105
NET INVESTMENT INCOME	7,189	100	22,275
NET CHANGE IN PLAN FIDUCIARY NET POSITION	15,547	6,648	29,380
PLAN FIDUCIARY NET POSITION - ENDING (b)	**112,536**	**96,989**	**90,341**
UWSRP NET PENSION LIABILITY (a) minus (b)	**$ 161,773**	**$ 219,138**	**$ 126,331**
PLAN FIDUCIARY NET POSITION AS PERCENTAGE OF THE TOTAL PENSION LIABILITY	41.03 %	30.68 %	41.69 %
UWSRP COVERED PAYROLL	$ 2,199,526	$ 1,723,087	$ 1,733,240
NET PENSION LIABILITY AS A PERCENTAGE OF COVERED PAYROLL	7.35 %	12.72 %	7.29 %

UNIVERSITY OF WASHINGTON SUPPLEMENTAL RETIREMENT PLAN (UWSRP)
SCHEDULE OF UWSRP CONTRIBUTIONS

(Dollars in thousands)	2023	2022	2021
CONTRACTUALLY REQUIRED CONTRIBUTION	$ 8,358	$ 6,548	$ 6,586
CONTRIBUTIONS IN RELATION TO THE CONTRACTUALLY REQUIRED CONTRIBUTION	$ 8,358	$ 6,548	$ 7,105
CONTRIBUTION DEFICIENCY (EXCESS)	$ —	$ —	$ (519)
UWSRP COVERED PAYROLL	$ 2,199,526	$ 1,723,087	$ 1,733,240
CONTRIBUTIONS AS A PERCENTAGE OF COVERED PAYROLL	0.38 %	0.38 %	0.41 %

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%

Effective July 1, 2020, legislation signed into law created a trust arrangement for assets dedicated to paying UWSRP benefits to plan members. As a result, the University now applies guidance required in GASB code section P20 paragraph 146 in the tables that precede this one. This table was required by guidance in GASB code section P22 paragraph 137 prior to creation of the trust arrangement.

Unaudited – see accompanying notes to financial statements

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY (TOL)						
(Dollars in thousands)	**2023**	**2022**	**2021**	**2020**	**2019**	**2018**
TOTAL OPEB LIABILITY - BEGINNING	$ 1,861,478	$ 1,696,027	$ 1,541,654	$ 1,354,177	$ 1,565,213	$ 1,685,909
SERVICE COST	91,921	93,039	70,380	62,422	84,665	106,112
INTEREST ON TOL	42,650	40,211	58,874	54,148	58,207	49,703
DIFFERENCE BETWEEN EXPECTED AND ACTUAL EXPERIENCE	(42,238)	—	(9,022)	—	53,132	—
CHANGE IN ASSUMPTIONS	(713,147)	17,180	38,164	100,838	(370,652)	(242,454)
BENEFIT PAYMENTS	(31,335)	(30,635)	(28,031)	(24,769)	(24,584)	(25,330)
CHANGE IN PROPORTIONATE SHARE	36,728	45,656	83,976	(5,162)	(11,804)	(8,727)
OTHER	—	—	(59,968)	—	—	—
TOTAL OPEB LIABILITY - ENDING	**$ 1,246,057**	**$ 1,861,478**	**$ 1,696,027**	**$ 1,541,654**	**$ 1,354,177**	**$ 1,565,213**
OPEB COVERED-EMPLOYEE PAYROLL	$ 3,231,736	$ 3,092,943	$ 2,895,664	$ 2,724,791	$ 2,493,991	$ 2,529,127
TOTAL OPEB LIABILITY AS PERCENTAGE OF COVERED-EMPLOYEE PAYROLL	38.56%	60.18%	58.57%	56.58%	54.30%	61.89%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2023

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, 2019 valuation date, completed in the fall of 2020, plus any supplemental contribution rates from the preceding legislative session, determines the ADC for the period beginning July 1,2021, and ending June 30, 2023.

Additional Considerations on ADC for All Plans:

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

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

Plans administered by the University

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

Covered payroll for the fiscal years ending June 30, 2023, 2022 and 2021 is based on the payroll of participants in the University's 403(b) defined contribution UWRP.

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

Changes that impacted the TPL and NPL include changing the valuation date from June 30, 2022 to January 1, 2023 for the June 30, 2023 measurement. The new data file decreased the TPL. Some of the larger experience items that impacted the TPL were salaries generally lower than assumed and SRP benefits for new retirees were lower than estimated. In addition, OSA's model estimates the SRP benefit of future retirees by relying on assumptions for the benefit calculation performed by Teachers Insurance and Annuity Association of America (TIAA). Based on information provided by TIAA and OSA's professional judgment, some of the long-term assumptions were updated which decreased the TPL. The source for the discount rate changed in 2021 from the bond rate required of plans with no assets, to the investment return for plans with assets, due to the change in the plan on July 1, 2020, which led to a change in the appropriate accounting guidance.

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

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 2023 relate to an increase in the Bond Buyer General Obligation 20-Bond Municipal Bond Index, from 2.16% for the June 30, 2021 measurement date, to 3.54% for the June 30, 2022 measurement date. This change resulted in a decrease in the TOL.

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

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