



OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION
(A Component Unit of Oregon Health & Science University)

Financial Statements and Required Supplementary Information

June 30, 2020 and 2019

(With Independent Auditors' Report Thereon)



KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

The Board of Trustees
Oregon Health & Science University Foundation:

We have audited the accompanying financial statements of Oregon Health & Science University Foundation (the Foundation), a component unit of Oregon Health & Science University, which comprise the statements of net position as of June 30, 2020 and 2019, and the related statements of revenues expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise the Foundation's basic financial statements for the years then ended.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Oregon Health & Science University Foundation as of June 30, 2020 and 2019, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.



Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–9 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

KPMG LLP

Portland, Oregon
October 28, 2020

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION

(A Component Unit of Oregon Health & Science University)

Management's Discussion and Analysis (Unaudited)

June 30, 2020 and 2019

This section of the Oregon Health & Science University Foundation (OHSUF or the foundation) financial report presents a discussion and analysis of the foundation's financial performance during the fiscal years ended June 30, 2020 and 2019. This discussion has been prepared and approved by management along with the financial statements and related note disclosures, and should be read in conjunction with the financial statements and notes. The discussion and analysis focuses on current activities, resulting changes, and current known facts.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements provided in this report. The foundation's basic financial statements include the statements of net position; the statements of revenues, expenses, and changes in net position; the statements of cash flows; and the notes to the financial statements.

- The statements of net position and the statements of revenues, expenses, and changes in net position provide information about the activities of the foundation as a whole and present a longer-term view of the foundation's finances. The statements of net position present the foundation's assets, liabilities, and deferred inflows with the net among these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the success of fund-raising and investment strategies and the level of program support provided to Oregon Health & Science University (OHSU).
- The statements of revenues, expenses, and changes in net position present financial results for the foundation by separating operating revenues and operating expenses from nonoperating activities and other changes in net position. Evaluating the amount of operating income or loss can help determine if current contributions are keeping pace with program service spending; coupled with the costs of operating the foundation. The section of the report that shows nonoperating activities and other changes in net position quantifies the financial impact of nonexpendable contributions and other activities and transactions that took place during the reporting period. The level of investment income during the reporting period provides an indication of how investment activity is impacting the value of foundation funds held in its investment pools.
- The statements of cash flows present information related to cash inflows and outflows summarized by operating activities, noncapital financing activities, capital and related financing activities, and investing activities. This statement will help to analyze which foundation activities (operating, noncapital financing, capital, or investing) are producing or utilizing cash in the time periods represented in the financial reports.

The financial statements described above can be found on pages 10–13 of this report. The notes to the financial statements can be found on pages 14–37.

Financial Highlights

Total contributions (including nonexpendable donations and life income agreements) to OHSUF in fiscal year 2020 totaled \$91.1 million. Contribution levels increased in 2020 by \$12.7 million or 16.2% as compared to 2019, due primarily to \$11.4 million in gifts supporting COVID-19 Pandemic response funds. Total contributions (including nonexpendable donations and life income agreements) to OHSUF in fiscal year 2019 totaled \$78.4 million. Contribution levels increased in 2019 by \$14.5 million or 22.8% as compared to 2018, due primarily to a \$5.5 million gift funding the Serial Measurements of Molecular and Architectural Responses to

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Therapy (SMMART) Treatment program; a \$3.5 million gift to establish an endowment for cancer research scholars; and a \$2.8 million gift to establish an endowment for leukemia and lymphoma research.

Program services provided to OHSU in fiscal year 2020 totaled \$119.7 million. This level of program support was 21.9% lower than the \$153.3 million provided in fiscal year 2019, a decrease of \$33.6 million. During 2020, program support for capital projects decreased by \$36.8 million, from \$45.5 million to \$8.7 million, primarily related to a decline in construction expenditures for the Knight Cancer Research Building and the Rood Family Pavilion. Program services for 2019 increased by \$41.0 million as compared to 2018, primarily related to construction expenditures for the Knight Cancer Research Building and the Rood Family Pavilion.

Investment performance for OHSUF is primarily composed of the investment results of the endowment fund investment pool (endowment fund) and current fund investment pool (current fund); which is comprised of separate investment vehicles with varying objectives based on the liquidity needs of the foundation, as discussed in note 4. Fiscal year 2020 investment returns resulted in a net gain of \$19.8 million. Fiscal year 2019 investment returns resulted in a net gain of \$58.4 million. The 2020 investment performance of the endowment fund, which is a fully diversified investment portfolio, resulted in a 1.9% net investment gain, which trailed the benchmark return for the portfolio of 3.8%. The 2019 investment performance of the endowment fund resulted in a 6.9% net investment gain, which exceeded the benchmark return for the portfolio of 6.3%. The fiscal year 2020 investment return of the current fund's reserve fund (C/F reserve) was 2.5%, which exceeded the benchmark return of 1.6% for the portfolio. The fiscal year 2020 investment return of the short duration 1-5 year separately managed account (C/F 1-5 year) within the current fund pool was 5.8%, which exceeded the benchmark return of 5.4% for the portfolio. The fiscal year 2019 investment return of the current fund's reserve fund was 3.3%, which exceeded the benchmark return of 2.3% for the portfolio. The fiscal year 2019 investment return of the short duration 1-5 year separately managed account within the current fund pool was 5.5%, which exceeded the benchmark return of 5.3% for the portfolio. In fiscal year 2020, the fair value of OHSUF's endowment fund declined by \$45.5 million or 6.4%, \$40.0 million of this decrease is attributable to a withdrawal from the pending fund. The fair value of the current fund increased by \$16.0 million or 5.6% in fiscal year 2020. In fiscal year 2019, the fair value of OHSUF's endowment fund increased by \$117.1 million or 19.5%, \$71.2 million of this increase is directly attributable to an advance for a pledge in support of the Knight Cancer Institute. The fair value of the current fund decreased by \$56.0 million or 16.3% in fiscal year 2019.

Operating expenses, less donations, contributed to a decrease of \$23.5 million in total net position in fiscal year 2020. As of June 30, 2020, OHSUF had total assets of \$1.4 billion, total liabilities of \$0.1 billion, total deferred inflows of \$0.1 billion, and net position of \$1.2 billion.

In September 2013, Phil and Penny Knight challenged OHSUF (the Knight Cancer Challenge) to raise \$500.0 million which they would match for a total of \$1.0 billion. The Knight Cancer Challenge was successfully met in June 2015. Many of the contributions from this challenge, primarily those related to pledges for endowment and certain designated estates, are being recognized in current and future financial periods in accordance with the accounting rules as promulgated by the Governmental Accounting Standards Board. These funds will be used to help in the fight to eradicate cancer, particularly through advanced early detection.

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Assets

OHSUF's assets primarily consist of cash and cash equivalents, net pledges and estates receivable, and long-term investments. On the statements of net position, assets are classified based on the type of underlying investment as of the date of the statements of net position and considering restrictions on associated assets.

Highlights related to specific asset types include the following:

- Current assets consist of cash and cash equivalents, short-term investments, accrued interest on investments, prepaid expenses, and the current portion of net restricted pledges and estates receivable.

Cash and cash equivalents and short-term investments balances on June 30, 2020 totaled \$19.3 million. Cash and cash equivalents and short-term investments totaled \$21.0 million and \$21.1 million on June 30, 2019 and 2018, respectively.

Pledges and estates receivable, current portion includes the value of outstanding pledges (less an allowance for uncollectible accounts) and the estimated value of estates of which the foundation is a named beneficiary (less an allowance for uncollectible estates receivable). On June 30, 2020, the foundation had net pledges receivable of \$389.8 million and no estates receivable. The current portion of net pledges and estates receivable is \$84.5 million at June 30, 2020. On June 30, 2019, the foundation had net pledges receivable of \$419.5 million and estates receivable of \$1.2 million. The current portion of net pledges and estates receivable is \$72.1 million at June 30, 2019. On June 30, 2018, the foundation had net pledges receivable of \$513.5 million and estates receivable of \$1.0 million. The current portion of net pledges and estates receivable is \$127.7 million at June 30, 2018.

- Noncurrent assets consist of restricted cash and long-term investments, accounts receivable from OHSU, the long-term portion of net restricted pledges receivable (less a discount for present value and an allowance for uncollectible amounts), other receivables and capital assets, net of accumulated depreciation.

Long-term investments consist of assets invested in the current fund, the endowment fund, and assets related to life income agreements. Long-term and restricted cash and investments totaled \$1.0 billion as of June 30, 2020, a decrease of \$28.5 million over the prior fiscal year. During 2020, the OHSUF portion of the endowment pool decreased by \$45.5 million and the OHSUF portion of the current fund increased by \$16.0 million. Changes in the value of long-term investments during 2020 for the endowment pool resulted primarily from a withdrawal in the pending fund, and changes for the current fund resulted primarily from new contributions and investment gains. As of June 30, 2019, long-term and restricted cash and investments totaled \$1.0 billion, an increase of \$60.3 million from 2018. Changes in the value of long-term investments during 2019 resulted primarily from investment gains.

Pledges, noncurrent net of discounts total \$305.4 million at June 30, 2020, \$348.6 million at June 30, 2019, and \$386.8 million at June 30, 2018. For further information on pledges receivable, refer to the information provided above and in note 5. The value of the outstanding pledges in 2020, 2019, and 2018 includes \$355.0 million, \$395.0 million, and \$420.0 million, respectively, which is the remaining balance of the \$500.0 million pledge received in 2016 for the Knight Cancer Challenge.

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Capital assets, net of accumulated depreciation totaled \$0.1 million at the end of 2020, \$0.2 million at the end of 2019, and \$0.3 million at the end of 2018.

Total assets were \$1.4 billion at the end of 2020, and \$1.5 billion at the end of 2019 and 2018. The 2020 balance for assets is comparable with 2019 and 2018.

Liabilities

- Current liabilities consist of accounts payable and accrued liabilities, a significant portion of which is due to OHSU and Oregon Rural Health Initiative (ORHI), and the current portion of leasehold incentives related to the Salmon Street office location. Current liabilities totaled \$65.2 million on June 30, 2020, \$66.6 million on June 30, 2019, and \$81.9 million on June 30, 2018. The 2020 balance is a decrease of \$1.4 million from 2019, primarily due to a decline in expenses incurred at year-end as a result of the COVID-19 global pandemic. The 2019 balance is a decrease of \$15.3 million from 2018, primarily as a result of the transfer made from ORHI for reimbursement of construction costs incurred by Sky Lakes, see further discussion at note 8(d).
- Noncurrent liabilities of \$21.9 million, \$24.4 million, and \$25.0 million at June 30, 2020, 2019, and 2018, respectively, consist of funds held by the foundation that were due to other institutions, the liability for life income agreements, the noncurrent portion of leasehold incentives related to the Salmon Street office location, and other noncurrent liabilities. The liability for life income agreements declined by \$2.4 million, primarily as a result of beneficiary payments made on unitrust accounts. The 2019 balance for noncurrent liabilities is comparable with 2018.

Total liabilities are equal to approximately 6.1%, 6.1%, and 7.0% of foundation total assets as of June 30, 2020, 2019, and 2018, respectively.

Deferred Inflows

Deferred inflows relate to assets received by the foundation, which will be recognized as revenue in a future reporting period and they consist of the foundation's interest in a pending fund and life income agreements. Deferred inflows totaled \$79.5 million, \$117.9 million, and \$110.9 million at June 30, 2020, 2019, and 2018, respectively. The decrease in deferred inflows of \$38.4 million in 2020 is primarily the result of a \$40.0 million withdrawal from the pending fund which was applied to an existing pledge commitment. The increase in deferred inflows of \$7.0 million in 2019 is primarily the result of investment gains in the pending fund.

Net Position

Net position is classified as net investment in capital assets, restricted, or unrestricted. Restricted net position is classified as nonexpendable or expendable. Nonexpendable net position is required to be retained in perpetuity. Expendable net position may be spent in the future in accordance with specified donor or other externally imposed restrictions.

Highlights of significant changes in net position are provided below:

- Nonexpendable restricted net position totaled \$264.2 million, \$244.7 million, and \$221.1 million as of June 30, 2020, 2019, and 2018, respectively. The increase of \$19.5 million from 2019 to 2020 and \$23.6 million from 2018 to 2019 resulted primarily from new contributions.

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- Expendable restricted net position totaled \$0.9 billion at June 30, 2020 and \$1.0 billion for each of the years ended June 30, 2019, and 2018.
- Unrestricted net position totaled \$71.9 million at June 30, 2020, \$72.0 million at June 30, 2019, and \$61.1 million at June 30, 2018. The 2020 balance for unrestricted net position is comparable with 2019. The increase in 2019 is primarily related to new contributions, investment gains, and management fees received on the endowment fund; offset by supporting services.
- Overall net position totaled \$1.3 billion for each of the years ended June 30, 2020, 2019, and 2018.

Foundation Summary Schedule of Net Position

	June 30		
	2020	2019	2018
	(Dollars in thousands)		
Noncapital assets	\$ 1,419,461	1,485,337	1,518,822
Capital assets	104	167	263
Total assets	\$ 1,419,565	1,485,504	1,519,085
Current liabilities	\$ 65,195	66,636	81,930
Noncurrent liabilities	21,886	24,373	24,978
Total liabilities	\$ 87,081	91,009	106,908
Deferred inflows	\$ 79,481	117,944	110,885
Net position:			
Net investment in capital assets	\$ 104	167	263
Restricted net position	1,181,036	1,204,413	1,239,945
Unrestricted net position	71,863	71,971	61,084
Total net position	\$ 1,253,003	1,276,551	1,301,292

Operating Revenues

Operating revenues for fiscal year 2020 totaled \$73.3 million, compared to \$58.7 million in fiscal year 2019 and \$51.4 million in fiscal year 2018. The primary component of operating revenues was contributions, which for 2020 totaled \$71.3 million. Operating revenues increased in fiscal year 2020 by \$14.6 million or 24.8% from 2019 and for fiscal year 2019, there was an increase of \$7.3 million or 14.2% from 2018.

Total contributions, including nonexpendable contributions for 2020, primarily included new cash gifts of \$38.3 million, new pledges of \$32.9 million, deferred irrevocable gifts of \$18.0 million, and bequests of \$1.6 million. Total contributions, including nonexpendable contributions for 2019, primarily included new cash gifts of \$31.2 million, new pledges of \$33.3 million, bequests of \$6.4 million, and deferred irrevocable gifts of \$6.3 million. Contribution levels increased in 2020, when compared to the prior year, primarily due to \$11.4 million in gifts supporting COVID-19 Pandemic response funds. Contribution levels increased in 2019, when compared to the prior year, primarily due to a \$5.5 million gift funding the SMMART Treatment program;

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a \$3.5 million gift to establish an endowment for cancer research scholars; and a \$2.8 million gift to establish an endowment for leukemia and lymphoma research.

Operating Expenses

Program services expense provided to OHSU totaled \$119.7 million in fiscal year 2020, \$153.3 million in fiscal year 2019, and \$112.3 million in fiscal year 2018. The level of support provided in 2020 decreased by \$33.6 million as compared to 2019, and the level of support provided in 2019 increased by \$41.0 million as compared to 2018. During 2020, program support for capital projects decreased by \$36.8 million, from \$45.5 million to \$8.7 million, primarily related to construction expenditures for the Knight Cancer Research Building and the Rood Family Pavilion. During 2019, program support for capital projects increased by \$36.2 million primarily related to construction expenditures for the Knight Cancer Research Building and the Rood Family Pavilion.

Supporting services expense totaled \$17.4 million for fiscal year 2020, \$16.8 million for fiscal year 2019, and \$16.1 million for fiscal year 2018. The level of expense in fiscal year 2020 reflects an increase of \$0.6 million or 3.6% from fiscal year 2019. The level of expense in fiscal year 2019 reflects an increase of \$0.7 million or 4.0% from fiscal year 2018. The increases during fiscal year 2020 and 2019 are primarily due to a rise in personnel costs.

Total operating expenses were \$137.1 million in 2020, \$170.1 million in 2019, and \$128.5 million in 2018. The primary driver for lower expenses in 2020 and higher expenses in 2019 were capital projects program costs at OHSU.

Operating revenues less operating expenses resulted in an operating loss of \$63.8 million in 2020, \$111.3 million in 2019, and \$77.0 million in 2018. During each of these periods, program services and supporting services expenses exceeded contributions, resulting in an operating loss. An operating loss occurs during times when contributions raised in prior years are used to fund current year programs and projects. The use of gift funds in a period other than when the gift is received occurs frequently and can be caused by a variety of factors. Examples of the types of situations that can cause this include when the receipt of a pledge or estate gift is included as contribution revenue in one year, but funded by the donor and used for program support in a subsequent year; when the use of funds are delayed because the donor's restrictions were not met in the year in which the gift was received; and when program expenses are supported by the endowment spending distribution, which is funded by investment income classified as nonoperating revenue.

Nonoperating Activities

Investment performance for OHSUF, net of investment management fees, resulted in an investment gain of \$19.8 million in fiscal year 2020, \$58.4 million in fiscal year 2019, and \$62.0 million in fiscal year 2018. The fiscal year 2020 activities reflected a 1.9% gain on the endowment fund, compared to a 6.9% investment gain in 2019, and a 9.9% investment gain in 2018. Endowment investment performance trailed its total asset benchmark by 1.9% in 2020 and exceeded its total asset benchmark by 0.6% in 2019, and by 2.4% in 2018. The fiscal year 2020 activities reflect a 2.5% gain on the C/F reserve, compared to a 3.3% investment gain in 2019, and a 1.5% investment gain in 2018. The fiscal year 2020 activities reflect a 5.8% gain on the C/F 1-5 year account, compared to a 5.5% investment gain in 2019, and a 0.0% return in 2018.

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Other nonoperating activities totaled \$0.6 million in 2020, \$5.0 million in 2019, and \$2.7 million in 2018.

Other Changes in Net Position

Other changes in net position consist of nonexpendable donations and life income agreement donations of \$19.8 million in 2020, \$23.2 million in 2019, and \$15.8 million in 2018.

Changes in Net Position

In fiscal year 2020, there was a decrease in net position of \$23.5 million compared to the decrease in net position of \$24.7 million in 2019 and the increase in net position of \$3.6 million in 2018. When comparing the current year performance to the prior years, each year has been impacted differently, with the primary drivers being contributions, program services expense, and net investment income. The change in net position in each of the years resulted from new contributions and investment return, offset by program services expense.

	Years ended June 30		
	2020	2019	2018
	(Dollars in thousands)		
Operating revenues:			
Contributions	\$ 71,318	55,217	48,061
Other income	1,975	3,516	3,387
Total operating revenues	<u>73,293</u>	<u>58,733</u>	<u>51,448</u>
Operating expenses:			
Program services	119,680	153,289	112,307
Supporting services	17,402	16,793	16,144
Total operating expenses	<u>137,082</u>	<u>170,082</u>	<u>128,451</u>
Operating loss	(63,789)	(111,349)	(77,003)
Investment income, net	19,824	58,410	62,031
Other nonoperating revenue	624	5,006	2,732
Loss before other changes in net position	(43,341)	(47,933)	(12,240)
Nonexpendable donations	19,793	23,192	15,803
Change in net position	(23,548)	(24,741)	3,563
Beginning net position	<u>1,276,551</u>	<u>1,301,292</u>	<u>1,297,729</u>
Ending net position	<u>\$ 1,253,003</u>	<u>1,276,551</u>	<u>1,301,292</u>

The level of expendable and nonexpendable contributions raised totaled \$91.1 million, \$78.4 million, and \$63.9 million in fiscal years 2020, 2019, and 2018, respectively. The foundation provided program services support to OHSU of \$119.7 million in 2020, \$153.3 million in 2019, and \$112.3 million in 2018.

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Statements of Net Position

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(Dollars in thousands)

	<u>2020</u>	<u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 19,185	20,611
Short-term investments	80	423
Accrued interest on investments	502	911
Prepaid expenses	235	208
Pledges and estates receivable, current portion, net	<u>84,459</u>	<u>72,066</u>
Total current assets	<u>104,461</u>	<u>94,219</u>
Noncurrent assets:		
Restricted assets:		
Cash and long-term investments	892,571	926,057
Due from OHSU	1,933	4,693
Pledges, noncurrent, net	<u>305,373</u>	<u>348,608</u>
Total restricted assets	1,199,877	1,279,358
Long-term investments	113,238	108,301
Other receivables, net	1,885	3,459
Capital assets, net of accumulated depreciation of \$1,759 and \$1,847, respectively	<u>104</u>	<u>167</u>
Total noncurrent assets	<u>1,315,104</u>	<u>1,391,285</u>
Total assets	<u>\$ 1,419,565</u>	<u>1,485,504</u>
Liabilities, Deferred Inflows, and Net Position		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 9,344	10,403
Due to OHSU	55,804	56,186
Leasehold incentives, current portion	<u>47</u>	<u>47</u>
Total current liabilities	<u>65,195</u>	<u>66,636</u>
Noncurrent liabilities:		
Due to other institutions	2,446	2,587
Liability for life income agreements	19,352	21,727
Other noncurrent liabilities	<u>88</u>	<u>59</u>
Total noncurrent liabilities	<u>21,886</u>	<u>24,373</u>
Total liabilities	<u>87,081</u>	<u>91,009</u>
Deferred inflows:		
Pending fund	48,135	86,457
Life income agreements	<u>31,346</u>	<u>31,487</u>
Total deferred inflows	<u>79,481</u>	<u>117,944</u>
Net position:		
Net investment in capital assets	104	167
Restricted for:		
Nonexpendable:		
Research	37,226	35,001
Academic support	94,805	80,712
Instruction	63,373	61,278
Student aid	46,430	45,760
Other	<u>22,345</u>	<u>21,899</u>
Total nonexpendable restricted net position	<u>264,179</u>	<u>244,650</u>
Expendable:		
Research	627,344	649,259
Academic support	159,086	174,290
Instruction	41,421	43,451
Capital projects and planning	20,957	26,115
Student aid	26,219	28,032
Clinical support	8,564	8,217
Institutional support	12,702	13,933
Other	<u>20,564</u>	<u>16,466</u>
Total expendable restricted net position	<u>916,857</u>	<u>959,763</u>
Total restricted net position	1,181,036	1,204,413
Unrestricted net position	<u>71,863</u>	<u>71,971</u>
Total net position	<u>1,253,003</u>	<u>1,276,551</u>
Total liabilities, deferred inflows, and net position	<u>\$ 1,419,565</u>	<u>1,485,504</u>

See accompanying notes to financial statements.

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Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Operating revenues:		
Contributions:		
Donations	\$ 69,196	53,163
Life income agreements	2,122	2,054
Total contributions	71,318	55,217
Other income:		
Management fees	1,043	1,007
Other income	932	2,509
Total other income	1,975	3,516
Total operating revenues	73,293	58,733
Operating expenses:		
Program services:		
Research	66,315	51,581
Academic support	18,640	36,296
Instruction	4,157	7,266
Institutional support	4,636	559
Public service	3,255	3,842
Capital projects and planning	8,680	45,490
Student aid	3,024	3,082
Clinical support	10,087	4,987
Transfers to other institutions	886	186
Total program services	119,680	153,289
Supporting services:		
Salaries and other payroll expenses	14,578	13,622
Services and supplies	2,741	3,072
Depreciation	83	99
Total supporting services	17,402	16,793
Total operating expenses	137,082	170,082
Operating loss	(63,789)	(111,349)
Nonoperating activities:		
Investment income, net of investment fees of \$7,704 and \$7,927 in 2020 and 2019, respectively	19,824	58,410
Other nonoperating activities	624	5,006
Total nonoperating activities	20,448	63,416
Loss before other changes in net position	(43,341)	(47,933)
Other changes in net position:		
Nonexpendable donations	19,728	23,023
Nonexpendable life income agreement donations	65	169
Total other changes in net position	19,793	23,192
Change in net position	(23,548)	(24,741)
Net position, beginning of year	1,276,551	1,301,292
Net position, end of year	\$ 1,253,003	1,276,551

See accompanying notes to financial statements.

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Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Cash flows from operating activities:		
Donations	\$ 91,023	73,984
Life income agreement contributions	2,122	2,054
Management fee income	1,043	1,007
Other receipts	932	2,509
Salaries and other payroll expenses	(14,288)	(13,550)
Services and supplies expenses	(2,834)	(3,034)
Program services expenses	(117,465)	(154,483)
Other withdrawals	(40,000)	—
Net cash used by operating activities	(79,467)	(91,513)
Cash flows from noncapital financing activities:		
Annuity payments to beneficiaries	(1,840)	(1,863)
Nonexpendable donations and life income agreements	4,067	12,783
Other noncapital financing activities	(334)	(11,376)
Net cash provided (used) by noncapital financing activities	1,893	(456)
Cash flows from capital and related financing activities:		
Purchase of capital assets	(20)	(4)
Net cash used by capital and related financing activities	(20)	(4)
Cash flows from investing activities:		
Purchases of investments	(6,658)	(100,591)
Proceeds from sales and maturities of investments	79,358	185,759
Interest and dividend income	6,242	4,872
Investment income on affiliated funds	4,930	9,700
Investment fees	(7,704)	(7,927)
Net cash provided by investing activities	76,168	91,813
Net decrease in cash and cash equivalents	(1,426)	(160)
Cash and cash equivalents, beginning of year	20,611	20,771
Cash and cash equivalents, end of year	\$ 19,185	20,611

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION
(A Component Unit of Oregon Health & Science University)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	2020	2019
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (63,789)	(111,349)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	83	99
Noncash contributions	(8,699)	(72,538)
Decrease in pledges and estates receivable	30,842	93,813
Pending fund withdrawals	(40,000)	—
Decrease (increase) in other receivables	863	(493)
Increase in prepaid expenses	(28)	(33)
Decrease in obligations for leasehold incentives	(47)	(47)
Increase (decrease) in accounts payable and other liabilities	1,308	(965)
Net cash used by operating activities	\$ (79,467)	(91,513)
Schedule of noncash noncapital financing and investing activities:		
Noncash nonexpendable donations and life income agreements	\$ 14,565	10,360
Net change in fair value of investments	(22,555)	7,464

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION

(A Component Unit of Oregon Health & Science University)

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June 30, 2020 and 2019

(1) Organization

Oregon Health & Science University Foundation (OHSUF or the foundation) is an Oregon nonprofit corporation established in 1970 to support the missions of Oregon Health & Science University (OHSU) and to support statewide biomedical research. OHSUF is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The foundation is a blended component unit of OHSU for financial reporting purposes.

(2) Summary of Significant Accounting Policies

The foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles as required for a governmental entity and, therefore, follows the accounting rules as promulgated by the Governmental Accounting Standards Board (GASB).

The foundation reports as a special-purpose government engaged in business-type activities whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

Net position is classified into four net position categories, in accordance with donor-imposed restrictions.

- *Net investment in capital assets* carries the depreciated value of capital purchases, net of related debt (if applicable).
- *Nonexpendable restricted net position* carries externally imposed restrictions that never expire.
- *Expendable restricted net position* carries externally imposed restrictions that expire in the future.
- *Unrestricted net position* carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds, discussed in notes 2(f) and 4, in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The foundation first applies restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted net positions are available.

(a) Operating Revenues

The foundation includes unrestricted and expendable restricted contributions, management fee income, and other income from sales, services, and fund-raising activities in operating revenues. These revenues are key components of the operations of the foundation.

(b) Operating Expenses

The foundation includes program services provided to OHSU, supporting services of operating the foundation, and depreciation on property and equipment in operating expenses.

(c) Operating Income or (Loss) and Changes in Net Position

The statements of revenues, expenses, and changes in net position include operating income (loss). Changes in net position, which are excluded from operating income (loss), include net investment

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income (loss), nonexpendable donations and life income agreements, and other nonoperating activities.

(d) Revenue Recognition

Contributions are voluntary, expendable, nonreciprocal transfers of assets, and may be made in the form of cash, securities, real property, personal property, materials and supplies, equipment, services, and unconditional promises to give those items in the future. Contributions, including estates receivable (substantiated undistributed estates) and promises to give, are recorded as revenue at fair value once all eligibility requirements are met and the pledge is verifiable, and are accounted for in the appropriate net position category based upon donor-imposed restrictions. Pledges and estates receivable with nonexpendable donor-imposed restrictions are not recognized in the statements of revenues, expenses, and changes in net position until the contribution is received.

Pledges are generally received within eight years of the date of the original commitment. The majority of estates are received within one year. Pledges and estates receivable, less an allowance for uncollectible amounts, are discounted to their present value using rates that range from 0.20% to 4.54%.

(e) Investments

Investments are stated at fair value based on the underlying investments of the pool. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable and lack publicly available market values, are carried at estimated fair value as provided by the investment managers. The foundation or its discretionary investment partner reviews and evaluates the values provided by its investment managers and considers the valuation methods and assumptions used in determining the fair value of the alternative investments to be reasonable. Those estimated fair values may differ significantly from the values that would have been used had a ready market for those securities existed. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses and the unrealized gains and losses on those investments, is shown in the statements of revenues, expenses, and changes in net position as investment income, net of investment fees.

(f) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category and reported on the statements of net position as restricted long-term investments. The foundation's spending policy for endowment funds is determined by the Executive Committee of the Board of Trustees (Executive Committee) and is calculated using a weighted average methodology comprised of an eight quarter moving average of the fair value of the endowment fund adjusted for inflation, and of the previous year's actual spending distribution adjusted for inflation. The resulting effective spending rate payout is then banded to be between 4.0% and 5.5% each year. The Executive Committee authorized a 4.5% distribution rate to calculate the effective spending rate in the years ended June 30, 2020 and 2019. Spending distributions of \$38.8 million and \$37.2 million were made into foundation endowment income accounts to be utilized in support of OHSU during the fiscal years ended June 30, 2020 and 2019, respectively.

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The foundation's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the state of Oregon in January 2008.

(g) Deferred Inflows

(i) Life Income Agreements

The foundation has been named as a beneficiary for various life income agreements, including charitable unitrusts, charitable remainder trust annuities, charitable gift annuities, and life estate agreements. Life income agreements provide for contractual payments to designated income beneficiaries for a specific period, after which the remaining principal and interest revert to the designated remainder beneficiaries. When the foundation is the trustee for life income agreements, the foundation records the fair value of the assets, the actuarially determined liability, and the difference between the asset and liability as a deferred inflow during the period in which the eligibility requirements are met. For those life income agreements where the foundation is not the trustee, the foundation records a contribution in the period in which the donation is received if the foundation is not designated as the remainder beneficiary of the trust. For those life income agreements where the foundation is not the trustee, but is designated as an irrevocable remainder beneficiary, the foundation records a receivable for the fair value of the remainder interest assets discounted to present value and a deferred inflow during the period in which the trust is established.

(ii) Pending Fund

The foundation established a pending fund to record a deposit received in 2015. Per agreement with the donors, the pending fund may only be used to either satisfy existing pledge obligations with the foundation or to make a new gift in support of OHSU, when designated by the donors. The balance of the pending fund is held in the foundation's long-term investments.

(h) Capital Assets, Net

Capital assets are recorded at cost less accumulated depreciation, which is computed on a three to five year, straight-line basis for computer equipment, and a five to ten year, straight-line basis for other capital assets. Leasehold improvements are depreciated over a ten-year, straight-line basis, or the lease term, whichever is shorter.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect reported amounts of assets and liabilities at the date of the financial statements and the reported income and expense during the reporting period. Actual results could differ from those estimates. Significant estimates include allowances for uncollectible pledges and estates receivable, discount rates for pledges, estimates used in determining fair value of investments, and actuarial assumptions in the liability for life income agreements.

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(3) Cash and Cash Equivalents

(a) Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash, and money market accounts with original maturities of three months or less at the date of purchase, that are not considered restricted long-term investments. For valuation purposes, cash and cash equivalents have observable inputs. The Federal Depository Insurance Commission (FDIC) provides a limited amount of protection for cash deposits, typically the first \$250,000 per account. The foundation does not include in its investment policy any requirement to collateralize deposits that exceed FDIC insured amounts. Cash and cash equivalents including those held in restricted assets were \$64.0 million and \$44.5 million at June 30, 2020 and 2019, respectively.

(b) Investments

Through its Investment Committee, the Board of Trustees of OHSUF is responsible for the management of the foundation's investments. The Investment Committee establishes investment policies for all funds and selects investment managers for the endowment fund and the current fund. The Director of Finance and Investments in consultation with the CFO – Vice President of Finance directs the implementation of actions designated by the Investment Committee.

(4) Investment Pools and Distribution Policies

The foundation maintains two primary internal investment pools. The current funds investment pool is the repository for funds available for current operations. The current fund pool is comprised of four separate investment vehicles with varying objectives based on the liquidity needs of the foundation. These investment vehicles include operating cash used for daily liquidity needs; a reserve fund and a short duration 1–5 year separately managed account that are used for liquidity needs of less than one year; and a quasi endowment fund (C/F endowment) that invests liquidity needs of greater than one year in the endowment portfolio, discussed below. For all current funds not related to OHSU Practice Plan Reserve (OPPR) funds, it is the practice of the foundation's Board of Trustees to utilize investment income on these funds for operations. At June 30, 2020 and 2019, the fair value of the foundation's investments in the current fund was \$302.7 million and \$286.7 million, respectively.

The endowment fund investment pool is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the foundation's Board of Trustees. Assets of the endowment fund investment pool are held in the OHSU Foundation Endowment Fund, L.P. and managed by a discretionary investment partner under the terms of a partnership agreement and subject to the investment policies established by the Investment Committee. The holdings of this investment pool are contained in a fund of one investment vehicle structure and a description of the underlying securities within the fund is included in the following tables of this note. Under normal circumstances, the foundation may withdraw funds from the partnership account by providing notice to the discretionary investment partner of up to 45 days. The withdrawal would then be paid within 30 days following the notice period. Distributions are effective as of the end of a calendar month unless otherwise agreed to by the partners.

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Endowment accounts receive spending distributions subject to the spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All interest, dividends, and changes in fair value on donor-restricted endowment funds are allocated to the appropriate restricted net position classification as specified by the donor at the time of receipt. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2020 and 2019, the fair value of the foundation's investments in the endowment fund was \$671.0 million and \$716.6 million, respectively. Of these amounts, \$46.1 million and \$58.5 million as of June 30, 2020 and 2019, respectively, represent unspent earnings in excess of donor-restricted original contributions that are available for future designation to expenditure by the Board of Trustees.

At June 30, 2020, accumulated loss of \$0.2 million related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position. There were no endowment accounts with market value below corpus at June 30, 2019.

The foundation also has investments with a fair value of \$51.3 million and \$52.2 million at June 30, 2020 and 2019, respectively, related to its individually managed life income agreements. These investments are included in various separately managed individual charitable trusts and life estate agreements, in reinsured annuity contracts, or in the charitable gift annuity pool.

Investment policies are established based on the investment objectives of the portfolio. Each portfolio has its own asset allocation guideline which has been authorized by the Executive Committee. The objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the C/F 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1-5 Year Government/Credit Bond Index. The objective for the endowment fund is to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed-income securities, U.S. and non-U.S. equity securities, and other alternative investments. The charitable gift annuity pool seeks to produce a relatively predictable and stable payout stream that will satisfy the funds distribution obligations while achieving long-term capital appreciation of the overall fund balance. The charitable gift annuity pool may invest in cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, and real estate. Charitable trusts are managed to provide for the distribution of a stated income payment while attempting to achieve reasonable expected total returns. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each

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trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed-income, real estate, and commodities.

(a) Fair Value of Investments

Investments at June 30, 2020 and 2019 are as follows:

<u>Asset classes</u>	<u>2020</u>	<u>2019</u>
	(Dollars in thousands)	
Domestic equities	\$ 41,963	71,762
Non-U.S. equities	105,002	130,114
Global equities	35,554	38,326
Venture capital/private equity	338,727	289,522
Marketable alternative investments	203,981	171,865
Real estate investments and contracts	38,301	35,661
Mutual funds – nonfixed income	12,942	36,216
Annuity contracts	1,500	1,591
Insurance policies	918	1,004
Promissory note	12,100	—
Fixed income	214,901	258,720
	<u>\$ 1,005,889</u>	<u>1,034,781</u>

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy that prioritizes observable market inputs over unobservable inputs. The hierarchy is based on the reliability of inputs as follows:

- Level 1 – Valuation is based on quoted prices for identical financial instruments in active markets. OHSUF does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

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The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSUF's financial instruments measured at fair value as of June 30, 2020.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
	(Dollars in thousands)			
Domestic equities	\$ 15,098	—	—	15,098
Non-U.S. equities	25,367	—	—	25,367
Global equities	11,805	—	—	11,805
Venture capital/private equity	—	—	12,614	12,614
Real estate investments and contracts	1,124	—	726	1,850
Mutual funds – nonfixed income	12,942	—	—	12,942
Annuity contracts	60	1,440	—	1,500
Insurance policies	—	—	918	918
Promissory note	—	—	12,100	12,100
Fixed income:				
U.S. government securities	—	19,130	—	19,130
U.S. agency securities	—	12,231	—	12,231
Corporate bonds	—	47,271	—	47,271
Asset-backed securities and collateralized mortgage obligations	—	18,427	—	18,427
Municipal bonds	—	3,901	—	3,901
Mutual funds – fixed income only	112,762	10	—	112,772
Bank debt	—	446	—	446
Certificates of deposit	—	723	—	723
Subtotal	<u>\$ 179,158</u>	<u>103,579</u>	<u>26,358</u>	309,095
Investments measured using NAV per share or its equivalent:				
Domestic equities				26,865
Non-U.S. equities				79,635
Global equities				23,749
Venture capital/private equity				326,113
Marketable alternative investments				203,981
Real estate investments and contracts				<u>36,451</u>
Total investments				<u>\$ 1,005,889</u>

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The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSUF's financial instruments measured at fair value as of June 30, 2019.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
	(Dollars in thousands)			
Domestic equities	\$ 46,284	—	—	46,284
Non-U.S. equities	49,285	—	—	49,285
Global equities	13,183	—	—	13,183
Venture capital/private equity	—	—	7,201	7,201
Real estate investments and contracts	1,141	—	790	1,931
Mutual funds – nonfixed income	36,216	—	—	36,216
Annuity contracts	59	1,532	—	1,591
Insurance policies	—	—	1,004	1,004
Fixed income:				
U.S. government securities	—	48,767	—	48,767
U.S. agency securities	—	7,614	—	7,614
Corporate bonds	—	64,028	—	64,028
Asset-backed securities and collateralized mortgage obligations	—	21,652	—	21,652
Municipal bonds	—	2,326	—	2,326
Mutual funds – fixed income only	108,696	4,519	—	113,215
Bank debt	—	505	—	505
Certificates of deposit	—	613	—	613
Subtotal	<u>\$ 254,864</u>	<u>151,556</u>	<u>8,995</u>	415,415
Investments measured using NAV per share or its equivalent:				
Domestic equities				25,478
Non-U.S. equities				80,829
Global equities				25,143
Venture capital/private equity				282,321
Marketable alternative investments				171,865
Real estate investments and contracts				<u>33,730</u>
Total investments				<u>\$ 1,034,781</u>

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There were no transfers of financial instruments between Level 1 and Level 2 classifications either in 2020 or 2019. Changes in Level 3 financial instruments are as follows:

	Year ended June 30	
	2020	2019
	(Dollars in thousands)	
Balance at beginning of year	\$ 8,995	44,702
Net realized gains (losses)	14	(112)
Net unrealized (losses) gains	(64)	133
Purchases	12,622	7,212
Sales	(208)	(3,168)
Contributions	12,200	—
Transfers to NAV per share, or its equivalent, classification	(7,201)	(39,772)
Balance at end of year	\$ 26,358	8,995

Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported in the statements of revenues, expenses, and changes in net position as investment income, net of investment fees.

The foundation initially records secondary purchases held within the OHSU Foundation Endowment Fund, L.P. at the purchase price for the transaction and then uses a practical expedient beginning with the first financial statement period following the close of the transaction.

OHSUF uses a practical expedient for the estimation of the fair value of investments in funds for which the investment does not have a readily determinable fair value. The practical expedient used by OHSUF for certain financial instruments is the NAV per share. Valuations provided by fund administrators for these financial instruments consider variables such as the financial performance of underlying investments, recent sales prices, and other pertinent information. The valuation is adjusted when changes to inputs and assumptions are corroborated by evidence, such as completed or pending third-party transactions in the underlying security and changes in financial results, data or cash flows. Management or its discretionary investment partner reviews the valuations and assumptions provided by fund administrators for reasonableness and believes that the carrying amounts of these financial instruments are reasonable estimates of fair value.

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The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2020 and 2019:

	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Domestic equities	Quarterly	3–90 days
Non-U.S. equities	Weekly to every four years	3–90 days
Global equities	Quarterly	3–90 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments	Monthly to annually	15–90 days
Real estate investments and contracts	Event-driven	N/A

Domestic Equities, Non-U.S. Equities, Global Equities, and Natural Resources funds represent investments in equities, both U.S. and international, and may include investments in developed and emerging markets.

(i) *Alternative Investments*

Alternative investments are defined under U.S. generally accepted accounting principles as those investments without readily determinable fair values. These investment vehicles differ by fund and can be in the form of limited partnerships, limited liability corporations, investment trusts, institutional funds, and offshore investment funds and are included primarily in the venture capital/private equity, real estate investments and contracts, and marketable alternative investment categories in the tables above. Alternative investment funds can contain certain types of financial instruments, including, among others, derivatives, futures, forward contracts, options, swaps, and securities sold not yet purchased, intended to hedge against changes in the fair value of investments or enhance potential risk-adjusted returns. The investment styles employed by the underlying managers include, but are not limited to, private equity, venture capital, buyout, absolute return, diversified arbitrage, merger arbitrage, event driven, commodities, real estate, energy, domestic long/short, global long/short, market neutral, and distressed.

These financial instruments involve varying degrees of risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of full portfolio composition. Because some of these investments are not readily marketable, their estimated values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Alternative investments can be less liquid than other investments. When liquidity limitations are imposed on these alternative investments, the types of restrictions can include, but are not limited to, lockup provisions whereby the foundation is unable to redeem shares or invested capital of an investment for a period of time, usually one year or more after the initial investment for marketable

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alternative funds and ten to twelve years for private equity and venture capital funds, notice provisions whereby the foundation is required to give notice, ranging up to 90 days, to transact a redemption of an investment after the expiration of any lockup provisions, and the establishment of gates that further limit the timing and amount of a requested fund distribution beyond the specified lockup provisions.

(b) Interest Rate Risk and Credit Risk

As of June 30, 2020, the foundation had the following fixed-income investments disclosed by maturity in the current fund, endowment fund, and life income agreement portfolios, stated at fair value:

<u>Investment type</u>	<u>Maturity</u>	<u>Endowment</u>	<u>Current funds</u>	<u>Life income</u>	<u>Total</u>
			(Dollars in thousands)		
U.S. government securities	Less than 1 year	\$ 633	115	—	748
	1–5 years	—	17,609	—	17,609
	6–10 years	282	51	—	333
	More than 10 years	372	68	—	440
U.S. agency securities	1–5 years	—	56	—	56
	6–10 years	—	2,504	—	2,504
	More than 10 years	—	9,671	—	9,671
Corporate bonds	Less than 1 year	181	4,449	—	4,630
	1–5 years	2,177	37,090	—	39,267
	6–10 years	1,735	315	—	2,050
	More than 10 years	1,120	204	—	1,324
Asset-backed securities and collateralized mortgage obligations	Less than 1 year	41	297	—	338
	1–5 years	698	2,202	—	2,900
	6–10 years	1,603	291	—	1,894
	More than 10 years	10,969	2,326	—	13,295
Municipal bonds	Less than 1 year	—	—	262	262
	1–5 years	—	—	1,427	1,427
	6–10 years	109	20	1,872	2,001
	More than 10 years	30	5	176	211
Mutual funds – fixed income only	Less than 1 year	39,270	16,511	1,583	57,364
	1–5 years	18,073	3,284	5,576	26,933
	6–10 years	9,485	2,642	4,910	17,037
	More than 10 years	9,662	1,756	20	11,438
Bank debt	1–5 years	290	53	—	343
	6–10 years	87	16	—	103
Certificate of deposit	Less than 1 year	—	—	101	101
	1–5 years	—	—	622	622
Total		<u>\$ 96,817</u>	<u>101,535</u>	<u>16,549</u>	<u>214,901</u>

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As of June 30, 2019, the foundation had the following fixed-income investments disclosed by maturity in the current fund, endowment fund, and life income agreement portfolios, stated at fair value:

<u>Investment type</u>	<u>Maturity</u>	<u>Endowment</u>	<u>Current funds</u>	<u>Life income</u>	<u>Total</u>
			(Dollars in thousands)		
U.S. government securities	Less than 1 year	\$ 636	113	129	878
	1–5 years	71	44,779	—	44,850
	6–10 years	313	1,538	—	1,851
	More than 10 years	1,008	180	—	1,188
U.S. agency securities	1–5 years	—	99	—	99
	6–10 years	—	449	—	449
	More than 10 years	—	7,066	—	7,066
Corporate bonds	Less than 1 year	372	8,897	—	9,269
	1–5 years	2,472	48,293	—	50,765
	6–10 years	2,017	360	—	2,377
	More than 10 years	1,069	548	—	1,617
Asset-backed securities and collateralized mortgage obligations	1–5 years	404	4,094	—	4,498
	6–10 years	548	98	—	646
	More than 10 years	12,959	3,549	—	16,508
Municipal bonds	Less than 1 year	—	—	71	71
	1–5 years	—	—	994	994
	6–10 years	—	—	1,037	1,037
	More than 10 years	—	—	224	224
Mutual funds – fixed income only	Less than 1 year	20,526	14,851	2,118	37,495
	1–5 years	31,011	5,530	6,390	42,931
	6–10 years	14,484	3,472	3,790	21,746
	More than 10 years	9,372	1,671	—	11,043
Bank debt	1–5 years	383	68	—	451
	6–10 years	46	8	—	54
Certificate of deposit	Less than 1 year	—	—	312	312
	1–5 years	—	—	301	301
Total		<u>\$ 97,691</u>	<u>145,663</u>	<u>15,366</u>	<u>258,720</u>

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As of June 30, 2020, the foundation had the following fixed-income investments disclosed by credit quality in the current fund, endowment fund, and life income agreement portfolios, stated at fair value:

<u>Investment type</u>	<u>Credit quality</u>	<u>Endowment</u>	<u>Current funds</u>	<u>Life income</u>	<u>Total</u>
			(Dollars in thousands)		
U.S. government securities	AAA	\$ 874	17,768	—	18,642
	AA	413	75	—	488
U.S. agency securities	AAA	—	12,231	—	12,231
Corporate bonds	AAA	33	6	—	39
	AA	147	2,694	—	2,841
	A	834	19,041	—	19,875
	BBB	2,298	19,971	—	22,269
	BB	1,153	210	—	1,363
	B	431	78	—	509
	Below B	69	13	—	82
	Not rated	248	45	—	293
Asset-backed securities and collateralized mortgage obligations	AAA	9,114	4,354	—	13,468
	AA	873	158	—	1,031
	A	546	99	—	645
	BBB	180	33	—	213
	BB	79	14	—	93
	B	78	14	—	92
	Below B	1,093	199	—	1,292
	Not rated	1,348	245	—	1,593
Municipal bonds	AAA	—	—	193	193
	AA	22	4	3,331	3,357
	A	8	1	213	222
	BBB	69	13	—	82
	BB	40	7	—	47
Mutual funds – fixed income only	AAA	54,034	13,445	7,228	74,707
	AA	2,206	1,401	501	4,108
	A	3,936	4,581	1,333	9,850
	BBB	6,716	2,962	1,891	11,569
	BB	2,852	545	395	3,792
	B	3,373	622	196	4,191
	Below B	2,069	400	128	2,597
	Not rated	1,304	237	417	1,958
Bank debt	BBB	61	11	—	72
	BB	138	25	—	163
	B	167	31	—	198
	Below B	11	2	—	13
Certificate of deposit	Not rated	—	—	723	723
Total		\$ 96,817	101,535	16,549	214,901

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As of June 30, 2019, the foundation had the following fixed-income investments disclosed by credit quality in the current fund, endowment fund, and life income agreement portfolios, stated at fair value:

<u>Investment type</u>	<u>Credit quality</u>	<u>Endowment</u>	<u>Current funds</u>	<u>Life income</u>	<u>Total</u>
			(Dollars in thousands)		
U.S. government securities	AAA	\$ 1,141	46,452	129	47,722
	AA	887	158	—	1,045
U.S. agency securities	AAA	—	7,614	—	7,614
Corporate bonds	AAA	164	387	—	551
	AA	121	7,794	—	7,915
	A	1,225	27,457	—	28,682
	BBB	2,879	22,185	—	25,064
	BB	831	148	—	979
	B	244	44	—	288
	Below B	32	6	—	38
	Not rated	434	77	—	511
Asset-backed securities and collateralized mortgage obligations	AAA	6,867	6,485	—	13,352
	AA	3,121	556	—	3,677
	A	538	96	—	634
	BBB	200	36	—	236
	BB	128	23	—	151
	B	44	8	—	52
	Below B	1,097	195	—	1,292
	Not rated	1,916	342	—	2,258
Municipal bonds	AAA	—	—	163	163
	AA	—	—	1,995	1,995
	A	—	—	168	168
Mutual funds – fixed income only	A1/P1	74	13	—	87
	Below A1/P1	7	1	—	8
	AAA	53,301	12,157	6,723	72,181
	AA	2,998	2,028	486	5,512
	A	4,349	6,649	1,296	12,294
	BBB	6,161	3,106	1,603	10,870
	BB	2,004	375	720	3,099
	B	2,567	465	801	3,833
	Below B	1,811	351	248	2,410
	Not rated	2,121	379	421	2,921
Bank debt	BBB	190	34	—	224
	BB	138	24	—	162
	B	88	16	—	104
	Below B	5	1	—	6
	Not rated	8	1	—	9
Certificate of deposit	Not rated	—	—	613	613
Total		\$ 97,691	145,663	15,366	258,720

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Mutual fund credit rating and maturity information are based on the average duration and ratings of the underlying fixed-income securities.

The foundation holds \$3.4 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and \$15.0 million of collateralized mortgage obligations as of June 30, 2020. The foundation holds \$4.9 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and \$16.8 million of collateralized mortgage obligations as of June 30, 2019. These investments were obtained in part to provide an attractive yield while limiting credit risk and to increase diversification compared to other high quality debt instruments. These securities are carried at fair value. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments. These factors may increase the interest rate volatility of the foundation's investment portfolio.

(c) Credit Risk

The investment policy of the short duration 1–5 year separately managed account requires minimum ratings or better from Standard & Poor's, Moody's, or Fitch as follows:

	<u>Minimum Standard and Poor's rating</u>	<u>Minimum Moody's rating</u>	<u>Minimum Fitch rating</u>
U.S. and foreign corporate indebtedness	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Certificates of deposit	BBB- or A-2	Baa3 or P-2	BBB- or F-2
Foreign government, foreign agency or supranational organization debt	A or A-1	A2 or P-1	A or F-1
Agency mortgage-backed securities	AAA	Aaa	AAA
Commercial mortgage-backed securities	AAA	Aaa	AAA
Asset-backed securities	AAA	Aaa	AAA
Municipal bonds	A	A2	A

At the time of purchase, securities must be rated by at least two of the three rating agencies. If the security is rated by all three agencies, the middle rating will apply. If only two ratings are available, then the lower rating will be used.

If the credit quality of a holding in the current fund declines so that it is below the level required as stated above, a decision will be made by the Investment Committee to hold or sell the security.

Investments in the charitable gift annuity pool shall have a minimum credit quality rating of Baa/BBB or an average credit rating of Baa/BBB for mutual funds or pooled funds and a minimum rating of A-1/P-1 for investments in commercial paper. The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

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(d) Concentration of Credit Risk

The investment policy of the short duration 1-5 year separately managed account limits investments in any issue or issuer as follows:

	Maximum concentration
U.S. and foreign corporate indebtedness	No more than 3% per issuer
Certificates of deposit	No more than 5% per issuer
Foreign government, foreign agency or supranational organization debt	No more than 5% per issuer
Agency mortgage-backed securities	No more than 15% per cusip
Commercial mortgage-backed securities	No more than 5% per cusip
Asset-backed securities	No more than 5% per cusip
Municipal bonds	No more than 5% per cusip

The investment policy relating to the charitable gift annuity pool limit investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds, which may be held without limitation. The investment policy for charitable trusts limits investments in any one issue to a maximum of 5%, except for issues of the U.S. government and its agencies or diversified mutual funds.

As of June 30, 2020 and 2019, the foundation held no individual investments or investments with an issuer that have balances in excess of the limits described above.

(e) Foreign Currency Risk

The investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The endowment fund allows for investments in international equities and in non-U.S. dollar-denominated bonds. The current fund allows up to 20% of the portfolio to be invested in non-U.S. sovereign or supranational issues. The charitable gift annuity pool investment policy allows up to 30% of the portfolio to be invested in international equities. The charitable trust investment policy allows up to 32% of the portfolio to be invested in international equities, based on the individual circumstances of each trust account.

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The following table details the fair value of foreign-denominated securities by currency type at June 30:

Foreign currency	Value (U.S. dollar)	
	2020	2019
	(Dollars in thousands)	
British pound sterling	\$ 9,513	8,127
Canadian dollar	7,322	6,837
Euro	12,041	16,362
Total	\$ 28,876	31,326

(f) Commitments

As of June 30, 2020 and 2019, the foundation had total accumulated commitments to nonmarketable private alternative investments, marketable private investments, private natural resources investments, and private real estate investments of \$982.1 million and \$847.6 million, respectively. As of June 30, 2020 and 2019, the foundation had funded \$776.8 million and \$635.1 million, respectively, of the total amount committed to these investments. These investments are structured as limited partnerships and include investments in U.S. and non-U.S. private equity, venture capital, natural resources, distressed securities, real estate, and energy.

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(5) Restricted Pledges and Estates Receivable

The foundation had the following restricted pledges and estates receivable as of June 30, 2020 and 2019:

	2020	2019
	(Dollars in thousands)	
Pledges maturing within 1 year	\$ 85,116	71,367
Pledges maturing within 2–8 years	321,583	369,788
	406,699	441,155
Less allowance for uncollectible pledges	(2,237)	(1,960)
	404,462	439,195
Less discount for net present value (rates of 0.20% to 4.54%)	(14,630)	(19,689)
Total net pledges receivable	389,832	419,506
Estates receivable	—	1,230
Less allowance for uncollectible estates receivable	—	(62)
Total net estates receivable	—	1,168
Total restricted pledges and estates receivable, net	\$ 389,832	420,674

(6) Trusts Held by Others

The foundation is the named beneficiary of 35 trusts held by outside trustees at each of the years ended June 30, 2020 and 2019. The fair value reported to management of trust assets held by others was \$46.3 million and \$48.1 million as of June 30, 2020 and 2019, respectively. Trust distributions from these assets are recorded as contributions as they occur. Trust distributions of \$1.8 million and \$2.3 million were recorded as contributions during fiscal years 2020 and 2019, respectively.

(7) Commitments

The foundation leases its office on Salmon Street under a lease expiring as of the close of business on September 30, 2021. Doernbecher Children's Hospital Foundation (DCHF) shares office space and reimburses the foundation as part of the shared services agreement. The total obligation under this lease is as follows for the years ending June 30 (dollars in thousands):

Year ending June 30:	
2021	\$ 715
2022	180
	\$ 895

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The foundation had net leasing costs of \$0.6 million during each of the years ended June 30, 2020 and 2019.

(8) Related-Party Transactions

(a) DCHF

The foundation has entered into a service agreement with DCHF. Under the terms of the agreement, the foundation provides management and staff resources, space, and other support services to DCHF in the areas of program management, gift processing, donor program support, planned giving program support, communications, office services, accounting, and computer support. OHSUF has recorded \$2.6 million and \$2.5 million related to this service agreement as reimbursement of supporting services expenses in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019, respectively.

The foundation provides investment management services and administration services to DCHF for its current funds, which have a balance of \$22.0 million at June 30, 2020 and balance of \$19.9 million at June 30, 2019. The foundation retains 100.0% of the net earnings or losses on these funds. The C/F 1-5 year fund had net earnings of 5.8% for the year ended June 30, 2020 and 5.5% for the year ended June 30, 2019. The C/F reserve fund had net earnings of 2.5% for the year ended June 30, 2020 and 3.3% for the year ended June 30, 2019. The endowment fund, which is also used as the investment vehicle for the C/F endowment, had net earnings of 1.9% for the year ended June 30, 2020 and net earnings of 6.9% for the year ended June 30, 2019. DCHF retains ownership of these funds.

The foundation provides investment management and administration services to DCHF for its endowment funds, which have a balance of \$64.5 million at June 30, 2020 and \$62.5 million at June 30, 2019. The foundation's fee is currently 1.6% of the three-year moving average of the fair value of the fund. DCHF retains ownership of these funds. The foundation has recorded revenues of approximately \$0.9 million and \$0.8 million related to investment management and administration services of the DCHF endowment funds for the years ended June 30, 2020 and 2019, respectively. These fees are included in the accompanying statements of revenues, expenses, and changes in net position related to investment management and administration services to DCHF for its endowment funds.

(b) OHSU Practice Plan Reserve Funds

In 2009, the OHSU Medical Group (the Medical Group), a separate 501(c)(3) organization that was previously separate from OHSU, merged with OHSU. As a result of the merger, OHSU established OPFR funds at the foundation. The foundation provides investment management and administration services for these funds that are held to benefit specific clinical departments within the Medical Group. In exchange for providing this service, the foundation charges an annual fee of 0.6% of the fund balance.

In conjunction with this merger, the Medical Group transferred these OPFR funds to the foundation, and at June 30, 2020 and 2019, approximately \$33.8 million and \$39.0 million, respectively, was held. The foundation provided approximately \$5.6 million and \$2.2 million of funds received during the merger for OPFR funds to OHSU during the fiscal years ended June 30, 2020 and 2019, respectively.

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Additionally, subsequent to the merger, departments within the Medical Group have deposited funds with the foundation. Approximately \$44.9 million and \$46.3 million of funds transferred subsequent to the merger are recorded in current liabilities due to OHSU at June 30, 2020 and 2019, respectively.

In total, the foundation held \$78.7 million and \$85.3 million of OPPR funds at June 30, 2020 and 2019, respectively.

(c) OHSU

The foundation provides investment management services to OHSU for its endowment fund. The fair value of the OHSU endowment was \$94.2 million as of June 30, 2020 and \$98.6 million as of June 30, 2019. OHSU retains ownership of these funds; therefore, they are not reported on the foundation's financial statements. The foundation has recorded revenues of approximately \$1.5 million and \$1.4 million during fiscal years 2020 and 2019, respectively, included in the accompanying statements of revenues, expenses, and changes in net position related to investment management services performed for OHSU.

(d) Oregon Rural Health Initiative

Created in fiscal year 2017, the purpose of ORHI is to provide a single entity through which individuals, public charities, and private foundations may collaborate on and implement projects to optimize the health of individuals who reside in Oregon rural communities. It is a collaboration among OHSU, the foundation, and Sky Lakes Medical Center, Inc. (Sky Lakes). The Board of Directors of ORHI are comprised entirely of representatives of OHSU, the foundation and Sky Lakes. During fiscal year 2017, Sky Lakes, OHSU, the foundation, and Oregon Institute of Technology agreed to support the construction of a new healthcare building and associated parking structure on the campus of Sky Lakes Medical Center and advance the OHSU Campus for Rural Health in Klamath Falls, the educational, research, and recruitment missions of which will be integrated throughout the new facility and the impact of which and any and all related programmatic efforts will be realized statewide. Sky Lakes agreed to transfer \$33.4 million to ORHI toward the creation of the new healthcare building and parking structure. As of June 30, 2020, Sky Lakes has transferred \$26.4 million to ORHI. During 2020 and 2019, \$1.4 million and \$13.4 million, respectively, has been returned to cover Sky Lakes' construction costs. It is not intended that ORHI will acquire any interest in the new healthcare building or parking structure or have any direct involvement in construction.

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(9) Capital Assets

The following is a summary of capital assets for the fiscal years ended June 30, 2020 and 2019:

	June 30, 2019	Increases	Decreases	June 30, 2020
	balance	(Dollars in thousands)		balance
Capital assets:				
Building lease improvements	\$ 683	—	—	683
Computer equipment	1,074	20	(128)	966
Office equipment	256	—	(42)	214
Total capital assets	2,013	20	(170)	1,863
Less accumulated depreciation:				
Building lease improvements	(524)	—	(71)	(595)
Computer equipment	(1,070)	128	(8)	(950)
Office equipment	(252)	42	(4)	(214)
Total accumulated depreciation	(1,846)	170	(83)	(1,759)
Total capital assets, net	\$ 167	190	(253)	104
	June 30, 2018	Increases	Decreases	June 30, 2019
	balance	(Dollars in thousands)		balance
Capital assets:				
Building lease improvements	\$ 683	—	—	683
Computer equipment	1,071	3	—	1,074
Office equipment	256	—	—	256
Total capital assets	2,010	3	—	2,013
Less accumulated depreciation:				
Building lease improvements	(454)	—	(70)	(524)
Computer equipment	(1,058)	—	(12)	(1,070)
Office equipment	(235)	—	(17)	(252)
Total accumulated depreciation	(1,747)	—	(99)	(1,846)
Total capital assets, net	\$ 263	3	(99)	167

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The foundation has recorded depreciation expense of \$0.1 million for each of the years ended June 30, 2020 and 2019, which is included in supporting services in the accompanying statements of revenues, expenses, and changes in net position.

(10) Defined Contribution and 403(b) Plans

The foundation has a defined-contribution money purchase plan (the Plan) with investment options provided by Standard Insurance Company. An eligible employee may direct how contributions are invested among the available investment options. The foundation serves as the Plan administrator and reserves the right to amend, modify, or terminate the Plan at any time, provided that no amendment or modification shall act to reduce the balances of the individual accounts of any participant accrued to the time of such amendment or modification. For each plan year, the foundation has made a contribution to the Plan equal to 12.0% of each participant's eligible compensation for the plan year. Contributions are fully vested after five years. The foundation's contributions to the Plan were \$1.0 million for each of the years ended June 30, 2020 and 2019.

The foundation also has a 403(b) plan administered by Standard Insurance Company. An employee may choose to make contributions as an optional employee election with deferral up to maximum federal regulations. The foundation does not make contributions to the 403(b) plan as the employer.

(11) Life Income Funds

Life income agreements established during the years ended June 30, 2020 and 2019 are as follows at the date of donation:

	2020			2019		
	<u>Agreements</u>	<u>Asset</u>	<u>Liability</u>	<u>Agreements</u>	<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)			(Dollars in thousands)	
Charitable remainder unitrusts	1	\$ 2	1	1	\$ 2	1
Charitable lead trusts	—	—	—	1	1,011	299
Charitable gift annuities	7	310	148	12	1,545	902
	<u>8</u>	<u>\$ 312</u>	<u>149</u>	<u>14</u>	<u>\$ 2,558</u>	<u>1,202</u>

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Total life income instruments held at June 30, 2020 and 2019 are as follows:

	2020			2019		
	<u>Agreements</u>	<u>Asset</u>	<u>Liability</u>	<u>Agreements</u>	<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)			(Dollars in thousands)	
Charitable remainder unitrusts	44	\$ 19,487	5,527	50	\$ 21,261	6,992
Charitable lead trusts	3	21,188	7,857	3	21,615	8,450
Charitable remainder trust annuities	1	93	67	1	117	79
Charitable gift annuities	161	9,366	5,557	173	9,609	5,815
Life estate agreements	2	630	344	2	691	391
	<u>211</u>	<u>\$ 50,764</u>	<u>19,352</u>	<u>229</u>	<u>\$ 53,293</u>	<u>21,727</u>

Eleven charitable gift annuities, included above, with a total gift value of \$3.3 million, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the insurance carrier pays the future beneficiary payments. To the extent the insurance carriers are unable to perform under the contract, the foundation would be responsible for payment.

Changes in OHSUF's liability for life income agreements during the fiscal years ended June 30, 2020 and 2019 are summarized below:

	<u>2019</u>	<u>Increases</u>		<u>Decreases</u>	<u>2020</u>
	<u>balance</u>	(Dollars in thousands)		<u>balance</u>	
Charitable remainder unitrusts	\$ 6,992	356	(1,821)	5,527	
Charitable lead unitrusts	8,450	—	(593)	7,857	
Charitable remainder trust annuities	79	28	(40)	67	
Charitable gift annuities	5,815	482	(740)	5,557	
Life estate agreements	391	—	(47)	344	
Total	<u>\$ 21,727</u>	<u>866</u>	<u>(3,241)</u>	<u>19,352</u>	

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	2018	Increases	Decreases	2019
	balance	(Dollars in thousands)		balance
Charitable remainder unitrusts	\$ 7,693	749	(1,450)	6,992
Charitable lead unitrusts	8,935	308	(793)	8,450
Charitable remainder trust annuities	127	24	(72)	79
Charitable gift annuities	5,272	1,303	(760)	5,815
Life estate agreements	331	60	—	391
Total	\$ 22,358	2,444	(3,075)	21,727

Increases or decreases may result from actuarial adjustments, distributions to beneficiaries, new gifts, and termination of an agreement.

(12) Unrestricted Net Position

Designations for unrestricted and Board-designated net position for the years ended June 30, 2020 and 2019 are as follows:

	2020	2019
	(Dollars in thousands)	
Funds for current operations	\$ 37,152	36,558
Designated for specific purposes	6,463	6,194
Designated for endowment	28,248	29,219
Total unrestricted net position	\$ 71,863	71,971

(13) Supporting Services

Supporting services, which included administrative and fund-raising expenses, totaled approximately \$17.4 million and \$16.8 million for the years ended June 30, 2020 and 2019, respectively.

The foundation's cost of insuring for risks in the areas of general liability, employee medical, directors and officers, and other coverage is included in supporting services, and is covered by third-party insurance. The foundation coordinates insurance coverage with OHSU's Risk Management. As a result, the coverage limits for Directors and Officers and Employment Practices Liability insurance coverage are \$1 million. Any additional claims between \$1 million and \$30 million will be covered under OHSU's policy.

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(14) Planned Merger with Doernbecher Children’s Hospital Foundation

On June 11, 2020, the Board to Trustees of OHSU Foundation and Doernbecher Children’s Hospital Foundation voted to merge. Following the completion of the merger, OHSUF shall continue as the surviving corporation and the separate existence of the DCHF legal entity shall cease. The merger will be effective on the date that the Articles of Merger are filed with the Attorney General, State of Oregon; which is anticipated to be December 31, 2020.

(15) COVID-19 Pandemic

In December 2019, a strain of coronavirus (COVID-19) was identified in Wuhan, China, and has spread around the world. The World Health Organization has described the coronavirus outbreak as a “public health emergency of international concern”. Oregon Governor Kate Brown declared a state of emergency on March 8, 2020, to ensure the swift deployment of the personnel and resources necessary to address coronavirus in Oregon. The World Health Organization declared the outbreak of COVID-19 to be a pandemic on March 11, 2020. On March 13, 2020, President Trump declared a national public health emergency with respect to the COVID-19 outbreak. While measures such as these assisted in responding to the COVID-19 pandemic some orders have had an adverse effect on the operations and financial position of charitable foundations, including OHSUF/DCHF, due to a reduction in contributions and decreases in investment returns. While contribution revenues are expected to experience gradual improvement beginning later in fiscal year 2021, management is unable to predict the future impact of the pandemic on the foundation’s operations. The foundation’s pandemic response plan has multiple facets and continues to evolve as the pandemic unfolds. Management has taken precautionary steps to enhance operational and financial flexibility, and react to the risks the COVID-19 pandemic presents to operations, including implementing certain cost reduction initiatives and reducing or delaying certain planned projects.

Management believes the extent of the COVID-19 pandemic’s adverse impact on operating results and financial condition has been and will continue to be driven by many factors, most of which are beyond the foundation’s control and ability to forecast. Such factors include, but are not limited to, the scope and duration of stay-at-home practices and business closures and restrictions, and changes in professional and general liability exposure. Because of these and other uncertainties, management cannot estimate the length or severity of the impact of the pandemic on our business. Decreases in cash flows and results of operations may have an impact on the inputs and assumptions used in significant accounting estimates, including estimated contribution receivable reserves, alternative investment valuations, and valuation of split-interest agreements liabilities and assets.

(16) Subsequent Events

The foundation has evaluated subsequent events through October 28, 2020, the date on which the financial statements were issued, noting none.