KPMG

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION

(A Component Unit of Oregon Health & Science University)

Financial Statements and Required Supplementary Information

June 30, 2022 and 2021

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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Independent Auditors' Report

The Board of Trustees
Oregon Health & Science University Foundation:

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of the Oregon Health & Science University Foundation (the Foundation), a component unit of Oregon Health & Science University, as of and for the years ended June 30, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Foundation'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 fiduciary activities of the Oregon Health & Science University Foundation, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Foundation 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, in fiscal year 2022, the Foundation adopted Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

(Continued)

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 Foundation'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.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Foundation's ability to continue as a going concern for a reasonable period of time.

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

Management has omitted the management's discussion and analysis that U.S. generally accepted accounting principles requires to be presented to supplement the basic financial statements. Such missing 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. Our opinions on the basic financial statements are not affected by this missing information.

KPMG LLP

Portland, Oregon
October 26, 2022

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION

(A Component Unit of Oregon Health & Science University)

Statements of Net Position

June 30, 2022 and 2021

(Dollars in thousands)

Assets		**2022**	**2021**
Current assets:			
Cash and cash equivalents	$	43,322	43,360
Short-term investments		835	3
Accrued interest on investments		545	441
Prepaid expenses		494	426
Pledges and estates receivable, current portion, net		114,490	114,502
Total current assets		159,686	158,732
Noncurrent assets:			
Restricted assets:			
Cash and long-term investments		1,185,416	1,130,509
Due from OHSU		2,932	4,607
Pledges, noncurrent, net		174,981	248,218
Total restricted assets		1,363,329	1,383,334
Long-term investments		104,481	136,800
Other receivables, net		3,769	3,459
Capital assets, net of accumulated depreciation of $865 and $1,859, respectively		1,725	168
Building/equipment leases, net of accumulated amortization of $1,307 and $3,378, respectively		11,465	2,844
Total noncurrent assets		1,484,769	1,526,605
Total assets	$	1,644,455	1,685,337
Liabilities, Deferred Inflows, and Net Position			
Current liabilities:			
Accounts payable and accrued liabilities	$	2,795	7,097
Due to OHSU		14,314	7,411
Right-of-use liability, current portion		816	711
Total current liabilities		17,925	15,219
Noncurrent liabilities:			
Due to other institutions		2,597	3,122
Right-of-use liability, noncurrent		11,024	1,947
Liability for life income agreements		20,111	23,492
Other noncurrent liabilities		96	151
Total noncurrent liabilities		33,828	28,712
Total liabilities		51,753	43,931
Deferred inflows:			
Life income agreements		32,759	39,087
Total deferred inflows		32,759	39,087
Net position:			
Net investment in capital assets		1,350	353
Restricted for:			
Nonexpendable:			
Research		43,454	42,307
Academic support		106,253	101,134
Instruction		87,026	82,527
Student aid		49,880	48,484
Other		37,369	30,244
Total nonexpendable restricted net position		323,982	304,696
Expendable:			
Research		640,862	664,843
Academic support		235,436	236,699
Instruction		72,311	80,273
Capital projects and planning		16,600	20,506
Student aid		40,904	46,106
Clinical support		18,969	20,634
Institutional support		14,043	14,874
Other		45,194	36,799
Total expendable restricted net position		1,084,319	1,120,734
Total restricted net position		1,408,301	1,425,430
Unrestricted net position		150,292	176,536
Total net position		1,559,943	1,602,319
Total liabilities, deferred inflows, and net position	$	1,644,455	1,685,337

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Operating revenues:			
Contributions:			
Donations	$	109,759	67,177
Life income agreements		2,426	5,400
Total contributions		112,185	72,577
Other income:			
Management fees		1,163	1,072
Other income		503	251
Total other income		1,666	1,323
Total operating revenues		113,851	73,900
Operating expenses:			
Program services:			
Research		61,888	55,070
Academic support		28,577	12,357
Instruction		4,289	3,680
Institutional support		3,109	1,956
Public service		4,478	3,875
Capital projects and planning		11,517	9,401
Student aid		3,868	2,971
Clinical support		4,828	5,766
Transfers to other institutions		187	4,524
Total program services		122,741	99,600
Supporting services:			
Foundation administration		15,834	15,097
Services and supplies		6,440	4,663
Depreciation and amortization		1,162	1,020
Total supporting services		23,436	20,780
Total operating expenses		146,177	120,380
Operating loss		(32,326)	(46,480)
Nonoperating activities:			
Investment (loss) income, net of investment fees of $10,784 and $21,854, respectively		(32,426)	291,734
Other nonoperating activities		1,556	4,205
Total nonoperating activities		(30,870)	295,939
(Loss) income before other changes in net position		(63,196)	249,459
Other changes in net position:			
Nonexpendable donations		20,649	11,274
Nonexpendable life income agreement donations		171	75
Total other changes in net position		20,820	11,349
Change in net position		(42,376)	260,808
Net position, beginning of year		1,602,319	1,341,511
Net position, end of year	$	1,559,943	1,602,319

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Donations	$	176,420	79,526
Life income agreement contributions		2,426	5,400
Management fee income		1,163	1,072
Other revenue		503	251
Salaries and other payroll expenses		(16,316)	(14,453)
Services and supplies expenses		(6,274)	(4,923)
Program services expenses		(116,241)	(101,741)
Net cash provided (used) by operating activities		41,681	(34,868)
Cash flows from noncapital financing activities:			
Annuity payments to beneficiaries		(1,876)	(1,904)
Nonexpendable donations and life income agreements		8,683	16,935
Other noncapital financing activities		700	4,359
Net cash provided by noncapital financing activities		7,507	19,390
Cash flows from capital and related financing activities:			
Purchase of capital assets		(1,627)	(148)
Right-of-use assets purchased		(9,757)	(2,923)
Write-off/disposal of right-of-use assets		45	45
Right-of-use liability for right-of-use assets		9,757	2,923
Accrued interest additions from right-of-use liability		257	46
Lease payments		(833)	(1,279)
Net cash used by capital and related financing activities		(2,158)	(1,336)
Cash flows from investing activities:			
Purchases of investments		(53,129)	(153,078)
Proceeds from sales and maturities of investments		9,727	202,371
Interest and dividend income		5,240	7,570
Investment income on affiliated funds		1,878	1,904
Investment fees		(10,784)	(21,854)
Net cash (used) provided by investing activities		(47,068)	36,913
Net (decrease) increase in cash and cash equivalents		(38)	20,099
Cash and cash equivalents, beginning of year		43,360	23,261
Cash and cash equivalents, end of year	$	43,322	43,360

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION

(A Component Unit of Oregon Health & Science University)

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Reconciliation of operating loss to net cash used by operating activities:			
Operating loss	$	(32,326)	(46,480)
Adjustments to reconcile operating loss to net cash used by operating activities:			
Depreciation		70	84
Amortization		1,092	936
Noncash contributions		(5,398)	(10,169)
Decrease in pledges and estates receivable		73,248	22,747
Decrease (increase) in other receivables		2,518	(2,578)
Increase in prepaid expenses		(68)	(63)
Decrease in obligations for leasehold incentives		(12)	(47)
Increase in accounts payable and other liabilities		2,557	702
Net cash provided (used) by operating activities	$	41,681	(34,868)
Schedule of noncash noncapital financing and investing activities:			
Noncash nonexpendable donations and life income agreements	$	3,375	3,331
Net change in fair value of investments		(90,434)	186,452

See accompanying notes to financial statements.

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

Statements of Fiduciary Net Position

June 30, 2022 and 2021

(Dollars in thousands)

Assets		**2022 Custodial funds**	**2021 Custodial funds**
Investments, at fair value:			
Allocation to OHSUF endowment investments	$	301,014	215,300
Allocation to OHSUF current fund pool		29,108	24,917
Total investments, at fair value		330,122	240,217
Pledges receivable		7,000	7,000
Total assets	$	337,122	247,217
Liabilities and Net Position			
Liabilities:			
Current liabilities	$	170,518	174,762
Net position		166,604	72,455
Total liabilities and net position	$	337,122	247,217

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

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022 Custodial funds	**2021 Custodial funds**
Contributions	$	100,000	—
Investment earnings:			
Reinvested distributions from endowment pool		6,154	3,207
Investment (loss) income		(11,709)	14,243
OHSUF management fee		(296)	(129)
Total investment earnings		(5,851)	17,321
Total additions		94,149	17,321
Deductions:			
Distributions to OHSU		—	—
Other deductions		—	—
Total deductions		—	—
Change in net position		94,149	17,321
Net position, beginning of year		72,455	55,134
Net position, end of year	$	166,604	72,455

See accompanying notes to financial statements.

(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. Doernbecher Children's Hospital Foundation (DCHF), an Oregon nonprofit corporation originally established in 1944 promoting an interest in and support for Doernbecher Children's Hospital, a functional unit of OHSU specializing in healthcare services to children, merged on January 1, 2021 with OHSUF. OHSUF continued as the surviving corporation following the merger. 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 and fiduciary activities whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

During the year ended June 30, 2022, the foundation adopted new accounting guidance by implementing the provisions of GASB Statement No. 87, *Leases* (GASB 87), which improves accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities. The guidance establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The foundation is a lessee for various non-cancellable leases of building space and equipment, which are further discussed in notes 2(i) and 7.

During the year ended June 30, 2022, the foundation early adopted new accounting guidance by implementing the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB 96), which defines such arrangements and the accounting and financial reporting for the resulting right-of-use assets and liabilities. The guidance also provides the capitalization criteria for outlays other than subscription payments, including implementation costs. The foundation maintains several Subscription-Based Information Technology Arrangements, which are further discussed in notes 2(i) and 7. Retrospective application of GASB 87 and GASB 96 is required. As a result of implementing GASB 87 and GASB 96, the foundation recorded an increase of $2.7 million to total assets and total liabilities for the fiscal year ended June 30, 2021.

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

- *Net investment in capital assets* carries the total investment in capital assets, net of accumulated depreciation and amortization, less outstanding debt obligations related to those capital assets.
- *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/amortization 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 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.

Payments on pledges are generally received within five 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 0.14% to 4.88%.

(e) Investments

Investments are carried at fair value. 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 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

(Continued)

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 for the years ended June 30, 2022 and 2021. Spending distributions of $43.4 million and $40.0 million were made into foundation endowment income accounts to be utilized in support of OHSU during the fiscal years ended June 30, 2022 and 2021, respectively.

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) 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.

(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 the remaining lease term plus option periods which are expected to be exercised.

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(i) Building/Equipment Leases, Net

The foundation is a lessee for various non-cancellable leases of the right to use certain buildings and equipment. The foundation also has non-cancellable arrangements (similar to a lease) for right-of-use subscription-based information technology hardware or software (subscription IT). As discussed above in Note 2 to the financial statements, the foundation implemented GASB Statement No. 87, *Leases* and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* in fiscal year 2022.

For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, or with a net present value of lease payments of $5,000 or less, the foundation recognizes expenditure at the time of payment based on the provisions of the lease contract or subscription IT arrangement, respectively.

For all other leases and subscription IT arrangements (i.e. those that are not short-term and with a net present value of lease payments of $5,000 or more), the foundation recognizes these intangible right-of-use asset or subscription IT asset as reported on the statements of net position as building/equipment leases. The foundation also recognizes a related lease or subscription IT liability as reported on the statements of net position as a current and noncurrent right-of-use liability.

(i) Measurement of Lease and Subscription IT Amounts

At lease commencement, the foundation initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability less lease payments made at or before the lease commencement date, plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation and amortization expense on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. If the foundation is reasonably certain of exercising a purchase option contained in a lease, the lease asset will be amortized over the useful life of the underlying asset.

(ii) Key Estimates and Judgements

Key estimates and judgements include how the foundation determines (1) the discount rate it uses to calculate the present value of the expected lease and subscription payments, (2) lease and subscription term, and (3) lease and subscription payments.

- The foundation generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate that the lessor/vendor charges is known. The foundation's incremental borrowing rate for leases and subscription IT arrangements is based on the rate of interest it would need to pay if the foundation borrowed an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.

- The lease or subscription term includes the non-cancellable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either a foundation or lessor option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both the foundation and the lessor/vendor have a unilateral option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.
- Payments are evaluated by the foundation to determine if they should be included in the measurement of the lease and subscription IT liabilities, including those payments that require a determination of whether they are reasonably certain of being made such as termination penalties and other payments.

(iii) Remeasurement of Lease and Subscription IT Amounts

The foundation monitors changes in circumstances that may require remeasurement of a lease or subscription IT arrangement. When certain changes occur that are expected to significantly affect the amount of the lease or subscription IT liability, the liability is remeasured and a corresponding adjustment is made to the lease or subscription IT asset, respectively.

(j) 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.

(k) Reclassifications

Certain reclassifications have been made to prior year amounts to conform to current year presentation.

(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 $68.9 million and $72.0 million at June 30, 2022 and 2021, 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

Cash and investments, excluding the current cash and cash equivalents, as of June 30, 2022 and 2021 are classified in the accompanying financial statements as follows:

		2022	2021
		(Dollars in thousands)	
Pooled cash and investments	$	1,563,376	1,441,421
Nonpooled cash and investments		57,478	66,108
Total cash and investments	$	1,620,854	1,507,529

Cash and investments as of June 30, 2022 and 2021 consist of the following:

		2022	2021
		(Dollars in thousands)	
Cash and deposits	$	32,049	34,029
Investments		1,588,805	1,473,500
Total cash and investments	$	1,620,854	1,507,529

A summary of cash and investments between the basic financial statements and the fair value of the investment portfolio at June 30, 2022 and 2021 is as follows:

		2022		
		Business-type activities	Fiduciary funds	Total
		(Dollars in thousands)		
Pooled cash and investments	$	1,234,118	329,258	1,563,376
Nonpooled cash and investments		56,614	864	57,478
Total cash and investments	$	1,290,732	330,122	1,620,854

		2021		
		Business-type activities	**Fiduciary funds**	**Total**
			(Dollars in thousands)	
Pooled cash and investments	$	1,202,144	239,277	1,441,421
Nonpooled cash and investments		65,168	940	66,108
Total cash and investments	$	1,267,312	240,217	1,507,529

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, 2022 and 2021, the fair value of the foundation's investments in the current fund was $383.0 million and $363.6 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 authorized by the Executive 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.

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, 2022 and 2021, the fair value of the foundation's investments in the endowment fund was $896.0 million and $884.5 million, respectively. Of these amounts, $115.0 million and $148.6 million as of June 30, 2022 and 2021, respectively, represent unspent earnings in excess of donor-restricted original contributions that are available for future designation to expenditure by the Board of Trustees.

(Continued)

At June 30, 2022, accumulated loss of $0.3 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, 2021.

The foundation also has investments with a fair value of $51.9 million and $62.5 million at June 30, 2022 and 2021, 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 Bloomberg 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 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, 2022 and 2021 are as follows:

Asset classes		2022	2021
		(Dollars in thousands)	
Domestic equities	$	93,841	57,012
Non-U.S. equities		147,754	124,322
Global equities		15,083	33,169
Venture capital/private equity		510,662	532,071
Marketable alternative investments		175,893	204,269
Real estate investments and contracts		61,304	43,491
Mutual funds – nonfixed income		9,564	15,194
Annuity contracts		1,268	1,514
Insurance policies		754	869
Promissory note		11,628	11,896
Fixed income		262,981	243,505
	$	1,290,732	1,267,312

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.

The following tables present a categorization, based on the foregoing valuation hierarchy, of OHSUF's financial instruments measured at fair value as of June 30, 2022 and 2021.

	2022			
	Level 1	**Level 2**	**Level 3**	**Fair value**
	(Dollars in thousands)			
Domestic equities	$ 73,017	—	—	73,017
Non-U.S. equities	44,435	—	—	44,435
Global equities	6	—	—	6
Venture capital/private equity	—	—	16,775	16,775
Marketable alternative investments	—	—	578	578
Real estate investments and contracts	1,019	—	3,710	4,729
Mutual funds – nonfixed income	9,564	—	—	9,564
Annuity contracts	69	1,199	—	1,268
Insurance policies	—	—	754	754
Promissory note	—	—	11,628	11,628
Fixed income:				
U.S. government securities	—	33,898	—	33,898
U.S. agency securities	—	7,269	—	7,269
Corporate bonds	—	50,133	—	50,133
Asset-backed securities and collateralized mortgage obligations	—	20,015	—	20,015
Municipal bonds	—	3,729	—	3,729
Mutual funds – fixed income only	134,164	344	—	134,508
Bank debt	—	334	—	334
Certificates of deposit	—	938	—	938
Subtotal	$ 262,274	117,859	33,445	413,578
Investments measured using NAV per share or its equivalent:				
Domestic equities				20,824
Non-U.S. equities				103,319
Global equities				15,077
Venture capital/private equity				493,887
Marketable alternative investments - nonfixed income				175,315
Real estate investments and contracts				56,575
Marketable alternative investments - fixed income only				12,157
Total investments				$ 1,290,732

	2021			
	Level 1	**Level 2**	**Level 3**	**Fair value**
		(Dollars in thousands)		
Domestic equities	$ 20,076	—	—	20,076
Non-U.S. equities	40,680	—	—	40,680
Global equities	13,469	—	—	13,469
Venture capital/private equity	—	—	21,494	21,494
Marketable alternative investments	—	—	521	521
Real estate investments and contracts	1,323	—	2,146	3,469
Mutual funds – nonfixed income	15,194	—	—	15,194
Annuity contracts	77	1,437	—	1,514
Insurance policies	—	—	869	869
Promissory note	—	—	11,896	11,896
Fixed income:				
U.S. government securities	—	49,845	—	49,845
U.S. agency securities	—	7,435	—	7,435
Corporate bonds	—	45,644	—	45,644
Asset-backed securities and collateralized mortgage obligations	—	14,477	—	14,477
Municipal bonds	—	3,883	—	3,883
Mutual funds – fixed income only	120,848	—	—	120,848
Bank debt	—	273	—	273
Certificates of deposit	—	1,100	—	1,100
Subtotal	$ 211,667	124,094	36,926	372,687
Investments measured using NAV per share or its equivalent:				
Domestic equities				36,936
Non-U.S. equities				83,642
Global equities				19,700
Venture capital/private equity				510,577
Marketable alternative investments				203,748
Real estate investments and contracts				40,022
Total investments				$ 1,267,312

There were no transfers of financial instruments between Level 1 and Level 2 classifications either in 2022 or 2021. Changes in Level 3 financial instruments during 2022 and 2021 are as follows:

		2022	2021
		(Dollars in thousands)	
Balance at beginning of year	$	36,926	27,730
Net realized gains		100	23
Net unrealized gains		70	537
Purchases		17,356	22,019
Sales		(1,373)	(553)
Contributions		1,860	732
Transfers to NAV per share, or its equivalent, classification		(21,494)	(13,562)
Balance at end of year	$	33,445	36,926

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.

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, 2022 and 2021:

	Redemption frequency	Redemption notice period
Domestic equities	Quarterly	3–180 days
Non-U.S. equities	Weekly to every four years	3–180 days
Global equities	Quarterly	3–180 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments – nonfixed income	Monthly to every three years	15–180 days
Marketable alternative investments – fixed income only	Monthly	30 days
Real estate investments and contracts	Event-driven	N/A

(Continued)

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 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 180 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, 2022 and 2021, 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:

		2022			
Investment type	**Maturity**	**Endowment**	**Current funds**	**Life income**	**Total**
		(Dollars in thousands)			
U.S. government securities	Less than 1 year	$ 14	3	249	266
	1–5 years	777	27,691	—	28,468
	6–10 years	1,252	2,163	—	3,415
	More than 10 years	1,466	283	—	1,749
U.S. agency securities	Less than 1 year	—	7	—	7
	1–5 years	—	67	—	67
	6–10 years	—	2,587	—	2,587
	More than 10 years	—	4,608	—	4,608
Corporate bonds	Less than 1 year	222	3,574	—	3,796
	1–5 years	2,046	40,806	—	42,852
	6–10 years	1,779	514	—	2,293
	More than 10 years	999	193	—	1,192
Asset-backed securities and collateralized mortgage obligations	Less than 1 year	125	24	—	149
	1–5 years	1,803	3,499	—	5,302
	6–10 years	1,146	221	—	1,367
	More than 10 years	10,826	2,371	—	13,197
Municipal bonds	Less than 1 year	—	—	313	313
	1–5 years	8	151	1,068	1,227
	6–10 years	39	8	1,873	1,920
	More than 10 years	53	10	206	269
Mutual funds – fixed income only	Less than 1 year	21,474	15,841	2,617	39,932
	1–5 years	26,967	5,211	4,432	36,610
	6–10 years	28,903	6,270	3,948	39,121
	More than 10 years	15,783	3,050	12	18,845
Bank debt	1–5 years	205	40	—	245
	6–10 years	75	14	—	89
Certificate of deposit	Less than 1 year	—	—	341	341
	1–5 years	—	—	597	597
Marketable alternative investments - fixed income only	N/A	10,189	1,968	—	12,157
Total		$ 126,151	121,174	15,656	262,981

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

Notes to Financial Statements

June 30, 2022 and 2021

		2021			
Investment type	**Maturity**	**Endowment**	**Current funds**	**Life income**	**Total**
			(Dollars in thousands)		
U.S. government securities	Less than 1 year	$ 1,308	242	—	1,550
	1–5 years	400	44,694	—	45,094
	6–10 years	720	1,317	—	2,037
	More than 10 years	982	182	—	1,164
U.S. agency securities	1–5 years	—	94	—	94
	6–10 years	—	1,415	—	1,415
	More than 10 years	—	5,926	—	5,926
Corporate bonds	Less than 1 year	106	5,365	—	5,471
	1–5 years	1,405	35,480	—	36,885
	6–10 years	1,513	414	—	1,927
	More than 10 years	1,148	213	—	1,361
Asset-backed securities and collateralized mortgage obligations	Less than 1 year	14	289	—	303
	1–5 years	955	690	—	1,645
	6–10 years	970	180	—	1,150
	More than 10 years	9,332	2,047	—	11,379
Municipal bonds	Less than 1 year	—	—	225	225
	1–5 years	—	179	1,755	1,934
	6–10 years	88	16	1,541	1,645
	More than 10 years	67	12	—	79
Mutual funds – fixed income only	Less than 1 year	24,012	30,814	1,839	56,665
	1–5 years	19,515	3,617	6,776	29,908
	6–10 years	14,048	3,464	4,810	22,322
	More than 10 years	10,071	1,866	16	11,953
Bank debt	1–5 years	167	31	—	198
	6–10 years	63	12	—	75
Certificate of deposit	Less than 1 year	—	—	324	324
	1–5 years	—	—	776	776
Total		$ 86,884	138,559	18,062	243,505

As of June 30, 2022 and 2021, 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:

		2022			
Investment type	**Credit quality**	**Endowment**	**Current funds**	**Life income**	**Total**
			(Dollars in thousands)		
U.S. government securities	AAA	$ 2,272	29,901	249	32,422
	AA	1,237	239	—	1,476
U.S. agency securities	AAA	—	7,269	—	7,269
Corporate bonds	AAA	133	26	—	159
	AA	80	1,153	—	1,233
	A	723	18,322	—	19,045
	BBB	2,281	25,232	—	27,513
	BB	1,164	225	—	1,389
	B	352	68	—	420
	Below B	11	2	—	13
	Not rated	302	59	—	361
Asset-backed securities and collateralized mortgage obligations	AAA	7,039	4,790	—	11,829
	AA	1,218	235	—	1,453
	A	476	92	—	568
	BBB	872	169	—	1,041
	BB	446	86	—	532
	B	350	67	—	417
	Below B	1,251	242	—	1,493
	Not rated	2,248	434	—	2,682
Municipal bonds	AAA	—	—	279	279
	AA	15	3	2,984	3,002
	A	31	155	197	383
	BBB	7	2	—	9
	BB	47	9	—	56
Mutual funds – fixed income only	AAA	59,606	14,010	6,673	80,289
	AA	3,783	2,176	449	6,408
	A	6,256	5,514	1,168	12,938
	BBB	9,778	5,973	1,760	17,511
	BB	4,611	911	356	5,878
	B	3,423	669	213	4,305
	Below B	2,860	577	135	3,572
	Not rated	2,810	542	255	3,607
Bank debt	BBB	44	8	—	52
	BB	92	18	—	110
	B	123	24	—	147
	Below B	18	4	—	22
	Not rated	3	—	—	3
Certificate of deposit	Not rated	—	—	938	938
Marketable alternative investments – fixed income only	N/A	10,189	1,968	—	12,157
Total		$ 126,151	121,174	15,656	262,981

		2021			
Investment type	**Credit quality**	**Endowment**	**Current funds**	**Life income**	**Total**
			(Dollars in thousands)		
U.S. government securities	AAA	$ 2,755	46,314	—	49,069
	AA	655	121	—	776
U.S. agency securities	AAA	—	7,435	—	7,435
Corporate bonds	AAA	82	15	—	97
	AA	29	1,260	—	1,289
	A	425	20,402	—	20,827
	BBB	1,864	19,467	—	21,331
	BB	969	180	—	1,149
	B	379	70	—	449
	Below B	109	20	—	129
	Not rated	315	58	—	373
Asset-backed securities and collateralized mortgage obligations	AAA	6,307	2,286	—	8,593
	AA	793	147	—	940
	A	359	66	—	425
	BBB	495	92	—	587
	BB	118	22	—	140
	B	96	18	—	114
	Below B	1,244	231	—	1,475
	Not rated	1,859	344	—	2,203
Municipal bonds	AAA	—	—	390	390
	AA	18	3	2,996	3,017
	A	—	179	135	314
	BBB	55	10	—	65
	BB	63	12	—	75
	Not rated	19	3	—	22
Mutual funds – fixed income only	AAA	38,427	11,458	7,927	57,812
	AA	9,020	3,975	569	13,564
	A	4,113	12,087	1,222	17,422
	BBB	6,502	10,412	2,153	19,067
	BB	3,719	713	420	4,852
	B	2,769	519	331	3,619
	Below B	1,820	360	229	2,409
	Not rated	1,276	237	590	2,103
Bank debt	BBB	28	5	—	33
	BB	49	9	—	58
	B	137	26	—	163
	Below B	13	2	—	15
	Not rated	3	1	—	4
Certificate of deposit	Not rated	—	—	1,100	1,100
Total		$ 86,884	138,559	18,062	243,505

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

The foundation holds $4.8 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and $15.2 million of collateralized mortgage obligations as of June 30, 2022. The foundation holds $1.9 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and $12.6 million of collateralized mortgage obligations as of June 30, 2021. 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:

	Minimum Standard and Poor’s rating	Minimum Moody’s rating	Minimum Fitch rating
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.

(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, 2022, 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.

The following table details the fair value of foreign-denominated securities by currency type as of June 30, 2022 and 2021:

Foreign currency		Value (U.S. dollar) 2022	Value (U.S. dollar) 2021
		(Dollars in thousands)	
British pound sterling	$	8,918	12,614
Canadian dollar		226	827
Euro		13,606	19,077
Total	$	22,750	32,518

(f) Commitments

As of June 30, 2022 and 2021, the foundation had total accumulated commitments to nonmarketable private alternative investments, marketable private investments, private natural resources investments, and private real estate investments of $1.1 billion and $1.0 billion, respectively. As of June 30, 2022 and 2021, the foundation had funded $0.9 billion and $0.9 billion, 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.

(5) Restricted Pledges and Estates Receivable

The foundation had the following pledges and estates receivable as of June 30, 2022 and 2021:

		2022	2021
		(Dollars in thousands)	
Pledges maturing within 1 year	$	114,843	114,862
Pledges maturing within 2–9 years		174,489	252,048
		289,332	366,910
Less allowance for uncollectible pledges		(856)	(920)
		288,476	365,990
Less discount for net present value (rates of 0.13% to 4.88%)		(5,785)	(9,542)
Total net pledges receivable		282,691	356,448
Estates receivable		7,151	6,512
Less allowance for uncollectible estates receivable		(8)	(1)
		7,143	6,511
Less discount for net present value (rates of 0.22% to 1.20%)		(363)	(239)
Total net estates receivable		6,780	6,272
Total restricted pledges and estates receivable, net	$	289,471	362,720

(6) Trusts Held by Others

The foundation is the named beneficiary of 38 trusts held by outside trustees at each of the years ended June 30, 2022 and 2021. The fair value reported to management of trust assets held by others was $50.9 million and $59.5 million as of June 30, 2022 and 2021, respectively. Trust distributions from these assets are recorded as contributions as they occur. Trust distributions of $2.1 million and $1.8 million were recorded as contributions during fiscal years 2022 and 2021, respectively.

(Continued)

(7) Leases and Similar Subscription-Based Information Technology Arrangements

As discussed in note 2(i), the foundation is a lessee for various leases of buildings and equipment. The foundation also has non-cancellable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (subscription IT arrangements).

A summary of lease and subscription IT asset activity during the year ended June 30, 2022 is as follows:

		June 30, 2021 balance	Additions	Remeasurements	Deductions	June 30, 2022 balance
				(Dollars in thousands)		
Lease assets:						
Buildings, equipment and subscription IT assets	$	6,222	9,757	—	(3,207)	12,772
Less accumulated amortization:						
Buildings, equipment and subscription IT assets		(3,378)	(1,092)	—	3,163	(1,307)
Total lease and subscription IT assets, net	$	2,844	8,665	—	(44)	11,465

A summary of lease and subscription IT asset activity during the year ended June 30, 2021 is as follows:

		June 30, 2020 balance	Additions	Remeasurements	Deductions	June 30, 2021 balance
				(Dollars in thousands)		
Lease assets:						
Buildings, equipment and subscription IT assets	$	3,339	2,924	—	(41)	6,222
Less accumulated amortization:						
Buildings, equipment and subscription IT assets		(2,439)	(980)	—	41	(3,378)
Total lease and subscription IT assets, net	$	900	1,944	—	—	2,844

A summary of changes in the related lease and subscription IT liability during the year ended June 30, 2022 is as follows:

		June 30, 2021 balance	Additions	Remeasurements	Deductions	June 30, 2022 balance
			(Dollars in thousands)			
Lease liabilities and subscription IT liabilities	$	2,658	10,015	—	(833)	11,840

A summary of changes in the related lease and subscription IT liability during the year ended June 30, 2021 is as follows:

		June 30, 2020 balance	Additions	Remeasurements	Deductions	June 30, 2021 balance
			(Dollars in thousands)			
Lease liabilities and subscription IT liabilities	$	968	2,970	—	(1,280)	2,658

Lease and subscription IT liability amounts due with one year as of June 30, 2022 and 2021 are $0.8 million and $0.7 million, respectively.

The foundation has moved to a new office space at the Jacobs Center under a new lease which began November 20, 2021. The total obligation under this lease is as follows for the years ending June 30 (dollars in thousands):

		Principal amount	Interest amount	Total
Year ending June 30:				
2023	$	326	315	641
2024		356	304	660
2025		388	292	680
2026		421	279	700
2027		335	264	599
Thereafter		8,002	1,743	9,745
	$	9,828	3,197	13,025

The foundation had net leasing costs of $0.8 million and $1.3 million during the years ended June 30, 2022 and 2021, respectively.

Future annual subscription IT payments are as follows for the years ending June 30 (dollars in thousands):

		Principal amount	Interest amount	Total
Year ending June 30:				
2023	$	462	57	519
2024		193	47	240
2025		183	41	224
2026		196	34	230
2027		214	28	242
Thereafter		764	36	800
	$	2,012	243	2,255

(8) Related-Party Transactions

(a) 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 OPPR 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 OPPR funds to the foundation, and at June 30, 2022 and 2021, approximately $33.7 million and $41.3 million, respectively, was held. The foundation provided approximately $6.5 million and $1.0 million of funds received during the merger for OPPR funds to OHSU during the fiscal years ended June 30, 2022 and 2021, respectively.

Additionally, subsequent to the merger, departments within the Medical Group have deposited funds with the foundation. Approximately $56.9 million and $52.5 million of funds transferred subsequent to the merger are recorded as fiduciary funds for benefit of OHSU at June 30, 2022 and 2021, respectively.

In total, the foundation held $90.6 million and $93.8 million of OPPR funds at June 30, 2022 and 2021, respectively.

(b) OHSU

The foundation provides investment management services to OHSU for its endowment fund. The fair value of the OHSU endowment was $113.5 million as of June 30, 2022 and $122.3 million as of June 30, 2021. OHSU retains ownership of these funds and they are recorded as fiduciary funds for benefit of OHSU. The foundation has recorded revenues of approximately $1.6 million and $1.5 million during fiscal year 2022 and 2021, respectively, included in the accompanying statements of revenues,

(Continued)

expenses, and changes in net position related to investment management services performed for OHSU.

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 foundation held $159.6 million and $65.5 million recorded as fiduciary funds for the benefit of OHSU, in the pending fund at June 30, 2022 and 2021, respectively.

(c) 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, and the foundation 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, 2022 and 2021, there is an outstanding pledge of $7.0 million to be paid for this commitment to ORHI and this is recorded as fiduciary funds for benefit of Sky Lakes, as it will be paid out to them when the pledge is satisfied. ORHI did not acquire any interest in the new healthcare building or parking structure or have any direct involvement in construction. The new healthcare building and parking structure construction was completed on December 12, 2019.

(9) Capital Assets

The following is a summary of capital assets for the fiscal year ended June 30, 2022 and 2021:

		June 30, 2021 balance	Increases	Decreases	June 30, 2022 balance
			(Dollars in thousands)		
Capital assets:					
Building lease improvements	$	784	831	(684)	931
Computer equipment		1,014	422	(151)	1,285
Office equipment		229	374	(229)	374
Total capital assets		2,027	1,627	(1,064)	2,590
Less accumulated depreciation:					
Building lease improvements		(666)	(44)	684	(26)
Computer equipment		(964)	(15)	151	(828)
Office equipment		(229)	(11)	229	(11)
Total accumulated depreciation		(1,859)	(70)	1,064	(865)
Total capital assets, net	$	168	1,557	—	1,725

		June 30, 2020 balance	Increases	Decreases	June 30, 2021 balance
			(Dollars in thousands)		
Capital assets:					
Building lease improvements	$	684	100	—	784
Computer equipment		966	48	—	1,014
Office equipment		229	—	—	229
Total capital assets		1,879	148	—	2,027
Less accumulated depreciation:					
Building lease improvements		(595)	(71)	—	(666)
Computer equipment		(951)	(13)	—	(964)
Office equipment		(229)	—	—	(229)
Total accumulated depreciation		(1,775)	(84)	—	(1,859)
Total capital assets, net	$	104	64	—	168

(Continued)

The foundation has recorded depreciation expense of $0.1 million for the each of the years ended June 30, 2022 and 2021, 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 the plan year, the foundation has made a contribution to the Plan equal to 12.0% of each participant's eligible compensation during the plan year. Contributions are fully vested after five years. The foundation's contributions to the Plan were $1.1 million and $1.3 million for the years ended June 30, 2022 and 2021, respectively.

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, 2022 and 2021 are as follows at the date of donation:

	2022		
	Agreements	Asset	Liability
		(Dollars in thousands)	
Charitable remainder unitrusts	1	$ 3	1
Charitable gift annuities	7	230	288
Life estate agreements	1	397	103
	9	$ 630	392

	2021		
	Agreements	Asset	Liability
		(Dollars in thousands)	
Charitable remainder unitrusts	3	$ 781	2
Charitable gift annuities	7	1,805	1,045
Life estate agreements	1	535	55
	11	$ 3,121	1,102

Total life income instruments held at June 30, 2022 and 2021 are as follows:

	2022			
	Agreements		**Asset**	**Liability**
			(Dollars in thousands)	
Charitable remainder unitrusts	43	$	18,750	5,303
Charitable lead trusts	3		21,455	7,973
Charitable gift annuities	166		10,026	5,920
Life estate agreements	4		2,767	915
	216	$	52,998	20,111

	2021			
	Agreements		**Asset**	**Liability**
			(Dollars in thousands)	
Charitable remainder unitrusts	47	$	22,405	6,958
Charitable lead trusts	3		26,143	9,116
Charitable remainder trust annuities	1		79	59
Charitable gift annuities	168		12,021	6,586
Life estate agreements	4		2,031	773
	223	$	62,679	23,492

Eleven charitable gift annuities, included above, with a total gift value of $3.1 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, 2022 and 2021 are summarized below:

	2021 balance	Increases	Decreases	2022 balance
		(Dollars in thousands)		
Charitable remainder unitrusts	$ 6,958	101	(1,756)	5,303
Charitable lead unitrusts	9,116	—	(1,143)	7,973
Charitable remainder trust annuities	59	—	(59)	—
Charitable gift annuities	6,586	662	(1,328)	5,920
Life estate agreements	773	186	(44)	915
Total	$ 23,492	949	(4,330)	20,111

	2020 balance	Increases	Decreases	2021 balance
		(Dollars in thousands)		
Charitable remainder unitrusts	$ 6,336	1,999	(1,377)	6,958
Charitable lead unitrusts	7,857	1,259	—	9,116
Charitable remainder trust annuities	67	32	(40)	59
Charitable gift annuities	5,905	1,767	(1,086)	6,586
Life estate agreements	576	197	—	773
Total	$ 20,741	5,254	(2,503)	23,492

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, 2022 and 2021 are as follows:

		2022	2021
		(Dollars in thousands)	
Funds for current operations	$	62,418	84,801
Designated for specific purposes		17,359	19,215
Designated for endowment		70,515	72,520
Total unrestricted net position	$	150,292	176,536

(13) Supporting Services

Supporting services, which included administrative and fund-raising expenses, totaled approximately $23.4 million and $20.8 million for the years ended June 30, 2022 and 2021, 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 under the Directors and Officers coverage between $1 million and $70 million will be covered under OHSU's policy and additional claims under the Employment Practices Liability coverage between $1 million and $40 million will be covered under OHSU's policy.

(14) Subsequent Events

The foundation has evaluated subsequent events through October 26, 2022, the date on which the financial statements were issued, noting none.