



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

Financial Statements and Required Supplementary Information

June 30, 2024 and 2023

(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:

Opinions

We have audited the financial statements of the business-type activities and fiduciary activities of Oregon Health & Science University Foundation (the Foundation), a component unit of Oregon Health & Science University, as of and for the year ended June 30, 2024 and 2023, 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 present fairly, in all material respects, the financial position of the business-type activities and the fiduciary activities of the Foundation, as of June 30, 2024 and 2023, 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 audit 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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.

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 require 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 24, 2024

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

Statements of Net Position

June 30, 2024 and 2023

(Dollars in thousands)

	Assets	<u>2024</u>	<u>2023</u>
Current assets:			
Cash and cash equivalents		\$ 16,112	59,272
Accrued interest on investments		1,079	850
Prepaid expenses		673	750
Pledges and estates receivable, current portion, net		137,777	108,949
Total current assets		<u>155,641</u>	<u>169,821</u>
Noncurrent assets:			
Restricted assets:			
Cash and long-term investments		1,280,522	1,226,479
Due from OHSU		1,894	2,225
Pledges, noncurrent, net		21,243	106,197
Total restricted assets		<u>1,303,659</u>	<u>1,334,901</u>
Long-term investments		157,450	97,788
Other receivables, net		1,571	1,740
Capital assets, net of accumulated depreciation of \$865 and \$962, respectively		2,250	2,017
Building/equipment leases, net of accumulated amortization of \$2,415 and \$2,324, respectively		9,537	10,491
Total noncurrent assets		<u>1,474,467</u>	<u>1,446,937</u>
Total assets		<u>\$ 1,630,108</u>	<u>1,616,758</u>
Liabilities, Deferred Inflows, and Net Position			
Current liabilities:			
Accounts payable and accrued liabilities		\$ 4,356	3,140
Due to OHSU		9,776	13,422
Right-of-use liability, current portion		614	670
Total current liabilities		<u>14,746</u>	<u>17,232</u>
Noncurrent liabilities:			
Due to other institutions		2,771	2,697
Right-of-use liability, noncurrent		9,932	10,478
Liability for life income agreements		24,715	20,503
Other noncurrent liabilities		214	168
Total noncurrent liabilities		<u>37,632</u>	<u>33,846</u>
Total liabilities		<u>52,378</u>	<u>51,078</u>
Deferred inflows:			
Life income agreements		31,917	29,206
Total deferred inflows		<u>31,917</u>	<u>29,206</u>
Net position:			
Net investment in capital assets		1,241	1,361
Restricted for:			
Nonexpendable:			
Research		50,434	43,964
Academic support		125,483	110,287
Instruction		90,640	89,829
Student aid		56,799	55,212
Other		45,788	40,944
Total nonexpendable restricted net position		<u>369,144</u>	<u>340,236</u>
Expendable:			
Research		559,069	599,265
Academic support		236,114	236,684
Instruction		72,480	70,178
Capital projects and planning		14,776	14,889
Student aid		42,368	41,399
Clinical support		23,756	20,509
Institutional support		12,026	13,174
Other		40,260	42,239
Total expendable restricted net position		<u>1,000,849</u>	<u>1,038,337</u>
Total restricted net position		<u>1,369,993</u>	<u>1,378,573</u>
Unrestricted net position		<u>174,579</u>	<u>156,540</u>
Total net position		<u>1,545,813</u>	<u>1,536,474</u>
Total liabilities, deferred inflows, and net position		<u>\$ 1,630,108</u>	<u>1,616,758</u>

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, 2024 and 2023

(Dollars in thousands)

	2024	2023
Operating revenues:		
Contributions:		
Donations	\$ 62,494	67,138
Life income agreements	1,688	5,802
Total contributions	64,182	72,940
Other income:		
Management fees	1,333	1,267
Other income	1,607	1,031
Total other income	2,940	2,298
Total operating revenues	67,122	75,238
Operating expenses:		
Program services:		
Research	82,493	73,905
Academic support	37,078	31,455
Instruction	4,212	5,496
Institutional support	951	2,474
Public service	7,829	6,127
Capital projects and planning	6,854	6,013
Student aid	4,511	3,766
Clinical support	4,862	5,288
Transfers to other institutions	64	44
Total program services	148,854	134,568
Supporting services:		
Foundation administration	20,205	17,529
Services and supplies	8,924	7,004
Depreciation and amortization	1,146	1,256
Total supporting services	30,275	25,789
Total operating expenses	179,129	160,357
Operating loss	(112,007)	(85,119)
Nonoperating activities:		
Investment income, net of investment fees of \$8,906 and \$7,623, respectively	91,961	42,863
Other nonoperating activities	579	1,343
Total nonoperating activities	92,540	44,206
Loss before other changes in net position	(19,467)	(40,913)
Other changes in net position:		
Nonexpendable donations	28,752	17,390
Nonexpendable life income agreement donations	54	54
Total other changes in net position	28,806	17,444
Change in net position	9,339	(23,469)
Net position, beginning of year	1,536,474	1,559,943
Net position, end of year	\$ 1,545,813	1,536,474

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION
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Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	2024	2023
Cash flows from operating activities:		
Donations	\$ 113,553	137,101
Life income agreement contributions	1,688	5,802
Management fee income	1,333	1,267
Other revenue	1,607	1,031
Salaries and other payroll expenses	(19,674)	(17,154)
Services and supplies expenses	(8,870)	(7,032)
Program services expenses	(151,326)	(135,385)
Net cash used by operating activities	(61,689)	(14,370)
Cash flows from noncapital financing activities:		
Annuity payments to beneficiaries	(1,924)	(1,750)
Nonexpendable donations and life income agreements	32,002	13,885
Other noncapital financing activities	565	4,223
Net cash provided by noncapital financing activities	30,643	16,358
Cash flows from capital and related financing activities:		
Purchase of capital assets	(393)	(390)
Accrued interest additions from right-of-use liability	353	375
Lease payments	(987)	(1,252)
Net cash used by capital and related financing activities	(1,027)	(1,267)
Cash flows from investing activities:		
Purchases of investments	(67,144)	(6,004)
Proceeds from sales and maturities of investments	47,097	10,522
Interest and dividend income	15,942	16,582
Investment income on affiliated funds	1,924	1,752
Investment fees	(8,906)	(7,623)
Net cash (used) provided by investing activities	(11,087)	15,229
Net (decrease) increase in cash and cash equivalents	(43,160)	15,950
Cash and cash equivalents, beginning of year	59,272	43,322
Cash and cash equivalents, end of year	\$ 16,112	59,272

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Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	2024	2023
Reconciliation of operating loss to net cash used by operating activities:		
Operating loss	\$ (112,007)	(85,119)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	160	97
Amortization	986	1,159
Noncash contributions	(4,822)	(3,895)
Decrease in pledges and estates receivable	56,125	74,326
Decrease (increase) in other receivables	176	(208)
Decrease (increase) in prepaid expenses	78	(257)
Decrease in accounts payable and other liabilities	(2,385)	(473)
Net cash used by operating activities	\$ (61,689)	(14,370)
Schedule of noncash noncapital financing and investing activities:		
Noncash nonexpendable donations and life income agreements	\$ 895	1,648
Net change in fair value of investments	57,716	20,133
Acquisition of right of use assets	33	150

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY FOUNDATION
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Statements of Fiduciary Net Position

June 30, 2024 and 2023

(Dollars in thousands)

	2024 Custodial funds	2023 Custodial funds
Assets	_____	_____
Investments, at fair value:		
Endowment investments	\$ 267,378	306,595
Current fund pool	28,557	28,578
Total investments, at fair value	295,935	335,173
Pledges receivable	7,000	7,000
Total assets	<u>\$ 302,935</u>	<u>342,173</u>
Liabilities and Net Position		
Liabilities:		
Current liabilities	\$ 174,484	170,867
Net position	128,451	171,306
Total liabilities and net position	<u>\$ 302,935</u>	<u>342,173</u>

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Statements of Changes in Fiduciary Net Position

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	2024 Custodial funds	2023 Custodial funds
	_____	_____
Contributions	\$ —	—
Investment earnings:		
Reinvested distributions from endowment pool	11,011	9,738
Investment income (loss)	551	(4,638)
OHSUF management fee	(417)	(398)
Total investment earnings	11,145	4,702
Total additions	11,145	4,702
Deductions:		
Distributions to OHSU	54,000	—
Other deductions	—	—
Total deductions	54,000	—
Change in net position	(42,855)	4,702
Net position, beginning of year	171,306	166,604
Net position, end of year	<u>\$ 128,451</u>	<u>171,306</u>

See accompanying notes to financial statements.

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Notes to Financial Statements

June 30, 2024 and 2023

(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. The foundation also promotes an interest in and support for Doernbecher Children's Hospital, a functional unit of OHSU specializing in healthcare services to children. 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.

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 (Loss) and Changes in Net Position

The statements of revenues, expenses, and changes in net position include operating income (loss). Changes in net position include net investment income (loss), nonexpendable donations and life

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June 30, 2024 and 2023

income agreements, and other nonoperating activities, which are excluded from operating income (loss).

(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 0.16% to 4.88% for the years ended June 30, 2024 and 2023.

(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 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, 2024 and 2023. Spending distributions of \$59.6 million and \$50.3 million were made into foundation endowment income accounts to be utilized in support of OHSU during the fiscal years ended June 30, 2024 and 2023, 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) 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.

(i) Building/Equipment Leases, Net

The foundation is a lessee for various noncancelable leases of buildings and equipment. The foundation also has noncancelable arrangements (similar to a lease) for the right-to-use information technology hardware or software (subscription IT).

Short-term Leases and Subscription IT Arrangements

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 less than \$5,000, the foundation recognizes expenditure based on the provisions of the lease contract or subscription IT arrangement, respectively.

Leases and Subscription IT Arrangements Other Than Short-term

For all other leases and subscription IT arrangements (i.e. those that are not short-term) whose total discounted minimum payment obligations are \$5,000 or more, the foundation recognizes these intangible right-of-use assets or subscription IT assets as reported on the statements of net position as

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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 noncancelable 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.

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(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.

(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 \$46.0 million and \$74.5 million at June 30, 2024 and 2023, 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 AVP, Investments and Treasury 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 long-term investments, excluding the current cash and cash equivalents, as of June 30, 2024 and 2023 are classified in the accompanying business-type activities and fiduciary activities statements of net position as follows:

	2024	2023
	(Dollars in thousands)	
Pooled cash and investments	\$ 1,676,446	1,604,210
Nonpooled cash and investments	57,461	55,230
Total cash and investments	\$ 1,733,907	1,659,440

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June 30, 2024 and 2023

Cash and investments in the foundation's business-type activities and fiduciary activities statements of net position as of June 30, 2024 and 2023 consist of the following:

	2024	2023
	(Dollars in thousands)	
Cash and deposits	\$ 35,644	18,957
Investments	1,698,263	1,640,483
Total cash and investments	\$ 1,733,907	1,659,440

A summary of cash and investments between the basic financial statements and the fair value of the investment portfolio at June 30, 2024 and 2023 is as follows:

	2024		
	Business-type activities	Fiduciary activities	Total
	(Dollars in thousands)		
Pooled cash and investments	\$ 1,381,443	295,003	1,676,446
Nonpooled cash and investments	56,529	932	57,461
Total cash and investments	\$ 1,437,972	295,935	1,733,907

	2023		
	Business-type activities	Fiduciary activities	Total
	(Dollars in thousands)		
Pooled cash and investments	\$ 1,269,951	334,259	1,604,210
Nonpooled cash and investments	54,316	914	55,230
Total cash and investments	\$ 1,324,267	335,173	1,659,440

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, 2024 and 2023, the fair value of the foundation's investments in the current fund was \$409.9 million and \$381.7 million, respectively.

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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, 2024 and 2023, the fair value of the foundation's investments in the endowment fund was \$985.9 million and \$950.9 million, respectively. Of these amounts, \$107.2 million and \$103.8 million as of June 30, 2024 and 2023, 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, 2024 and 2023, accumulated loss of \$0.3 million and \$0.4 million, respectively, related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

The foundation also has investments with a fair value of \$58.3 million and \$51.0 million at June 30, 2024 and 2023, 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

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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, 2024 and 2023 are as follows:

<u>Asset classes</u>	<u>2024</u>	<u>2023</u>
	(Dollars in thousands)	
Domestic equities	\$ 127,958	101,369
Non-U.S. equities	140,502	137,419
Global equities	45,230	26,783
Venture capital/private equity	540,769	511,569
Marketable alternative investments	222,140	195,923
Real estate investments and contracts	54,582	57,339
Mutual funds – nonfixed income	12,921	10,163
Annuity contracts	1,052	1,101
Insurance policies	595	609
Promissory note	11,151	11,345
Fixed income	281,072	270,647
	<u>\$ 1,437,972</u>	<u>1,324,267</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 tables present a categorization, based on the foregoing valuation hierarchy, of OHSUF's financial instruments measured at fair value as of June 30, 2024 and 2023.

	2024			Fair value
	Level 1	Level 2	Level 3	
	(Dollars in thousands)			
Domestic equities	\$ 94,347	—	—	94,347
Non-U.S. equities	31,742	—	—	31,742
Global equities	68	—	—	68
Venture capital/private equity	—	—	21,706	21,706
Marketable alternative investments	—	—	608	608
Real estate investments and contracts	1,247	—	1,678	2,925
Mutual funds – nonfixed income	12,921	—	—	12,921
Annuity contracts	—	1,052	—	1,052
Insurance policies	—	—	595	595
Promissory note	—	—	11,151	11,151
Fixed income:				
U.S. government securities	—	26,963	—	26,963
U.S. agency securities	—	12,243	—	12,243
Corporate bonds	—	37,545	—	37,545
Asset-backed securities and collateralized mortgage obligations	—	38,026	—	38,026
Municipal bonds	—	3,475	—	3,475
Mutual funds – fixed income only	151,140	—	—	151,140
Bank debt	—	83	—	83
Certificates of deposit	—	208	—	208
Subtotal	<u>\$ 291,465</u>	<u>119,595</u>	<u>35,738</u>	446,798
Investments measured using NAV per share or its equivalent:				
Domestic equities				33,611
Non-U.S. equities				108,760
Global equities				45,162
Venture capital/private equity				519,063
Marketable alternative investments – nonfixed income				221,532
Real estate investments and contracts				51,657
Marketable alternative investments – fixed income only				<u>11,389</u>
Total investments				<u>\$ 1,437,972</u>

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	2023			
	Level 1	Level 2	Level 3	Fair value
	(Dollars in thousands)			
Domestic equities	\$ 73,823	—	—	73,823
Non-U.S. equities	27,762	—	—	27,762
Global equities	36	—	—	36
Venture capital/private equity	—	—	22,311	22,311
Marketable alternative investments	—	—	594	594
Real estate investments and contracts	1,072	—	1,714	2,786
Mutual funds – nonfixed income	10,163	—	—	10,163
Annuity contracts	—	1,101	—	1,101
Insurance policies	—	—	609	609
Promissory note	—	—	11,345	11,345
Fixed income:				
U.S. government securities	—	27,852	—	27,852
U.S. agency securities	—	10,792	—	10,792
Corporate bonds	—	50,391	—	50,391
Asset-backed securities and collateralized mortgage obligations	—	35,731	—	35,731
Municipal bonds	—	3,799	—	3,799
Mutual funds – fixed income only	131,740	284	—	132,024
Bank debt	—	286	—	286
Certificates of deposit	—	595	—	595
Subtotal	\$ 244,596	130,831	36,573	412,000
Investments measured using NAV per share or its equivalent:				
Domestic equities				27,546
Non-U.S. equities				109,657
Global equities				26,747
Venture capital/private equity				489,258
Marketable alternative investments – nonfixed income				195,329
Real estate investments and contracts				54,553
Marketable alternative investments – fixed income only				9,177
Total investments				\$ 1,324,267

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There were no transfers of financial instruments between Level 1 and Level 2 classifications either in 2024 or 2023. Changes in Level 3 financial instruments during 2024 and 2023 are as follows:

	2024	2023
	(Dollars in thousands)	
Balance at beginning of year	\$ 36,573	33,445
Net realized losses	(39)	(537)
Net unrealized losses	(37)	(33)
Purchases	22,339	22,910
Sales	(303)	(1,969)
Contributions	110	110
Transfers to NAV per share, or its equivalent, classification	(22,905)	(17,353)
Balance at end of year	\$ 35,738	36,573

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, 2024 and 2023:

	<u>Redemption frequency</u>	<u>Redemption notice period</u>
Domestic equities	Weekly to every two years	3–180 days
Non-U.S. equities	Weekly to every three years	3–180 days
Global equities	Quarterly to every two years	3–180 days
Venture capital/private equity	Event-driven	N/A
Marketable alternative investments – nonfixed income	Monthly to every three years	5–180 days
Marketable alternative investments – fixed income only	Monthly	15–35 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.

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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, 2024 and 2023, 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:

Investment type	Maturity	2024			Total
		Endowment	Current funds	Life income	
(Dollars in thousands)					
U.S. government securities	Less than 1 year	\$ 30	5	1,226	1,261
	1–5 years	302	22,464	—	22,766
	6–10 years	1,511	255	95	1,861
	More than 10 years	920	155	—	1,075
U.S. agency securities	1–5 years	—	1,510	—	1,510
	6–10 years	—	4,602	—	4,602
	More than 10 years	—	6,131	—	6,131
Corporate bonds	Less than 1 year	828	2,661	—	3,489
	1–5 years	1,882	29,647	—	31,529
	6–10 years	1,256	212	—	1,468
	More than 10 years	906	153	—	1,059
Asset-backed securities and collateralized mortgage obligations	Less than 1 year	985	166	—	1,151
	1–5 years	8,437	5,699	—	14,136
	6–10 years	1,573	265	—	1,838
	More than 10 years	15,711	5,190	—	20,901
Municipal bonds	1–5 years	8	2	1,515	1,525
	6–10 years	19	3	1,002	1,024
	More than 10 years	7	1	918	926
Mutual funds – fixed income only	Less than 1 year	27,173	6,556	2,275	36,004
	1–5 years	33,350	5,620	4,315	43,285
	6–10 years	39,733	6,733	5,204	51,670
	More than 10 years	17,254	2,908	19	20,181
Bank debt	1–5 years	59	10	—	69
	6–10 years	12	2	—	14
Certificate of deposit	Less than 1 year	—	—	208	208
Marketable alternative investments – fixed income only	N/A	9,747	1,642	—	11,389
Total		\$ 161,703	102,592	16,777	281,072

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Investment type	Maturity	2023			Total
		Endowment	Current funds	Life income	
(Dollars in thousands)					
U.S. government securities	Less than 1 year	\$ —	—	196	196
	1–5 years	57	21,126	—	21,183
	6–10 years	939	2,637	—	3,576
	More than 10 years	2,457	440	—	2,897
U.S. agency securities	1–5 years	—	1,855	—	1,855
	6–10 years	—	4,312	—	4,312
	More than 10 years	—	4,625	—	4,625
Corporate bonds	Less than 1 year	1,032	3,739	—	4,771
	1–5 years	2,452	39,969	—	42,421
	6–10 years	1,743	312	—	2,055
	More than 10 years	970	174	—	1,144
Asset-backed securities and collateralized mortgage obligations	Less than 1 year	856	153	—	1,009
	1–5 years	7,826	4,756	—	12,582
	6–10 years	1,198	723	—	1,921
	More than 10 years	14,738	5,481	—	20,219
Municipal bonds	Less than 1 year	—	—	96	96
	1–5 years	8	149	1,360	1,517
	6–10 years	26	5	1,467	1,498
	More than 10 years	22	4	662	688
Mutual funds – fixed income only	Less than 1 year	15,936	9,208	1,959	27,103
	1–5 years	31,735	5,683	3,960	41,378
	6–10 years	31,217	6,280	4,450	41,947
	More than 10 years	18,303	3,277	16	21,596
Bank debt	1–5 years	229	41	—	270
	6–10 years	14	2	—	16
Certificate of deposit	Less than 1 year	—	—	395	395
	1–5 years	—	—	200	200
Marketable alternative investments – fixed income only	N/A	7,783	1,394	—	9,177
Total		\$ 139,541	116,345	14,761	270,647

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As of June 30, 2024 and 2023, 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:

Investment type	Credit quality	2024				Total
		Endowment	Current funds	Life income	(Dollars in thousands)	
U.S. government securities	AAA	\$ 2,286	22,799	1,321	26,406	
	AA	477	80	—	557	
U.S. agency securities	AAA	—	12,243	—	12,243	
Corporate bonds	AAA	43	7	—	50	
	AA	31	3,014	—	3,045	
	A	552	14,333	—	14,885	
	BBB	2,387	15,006	—	17,393	
	BB	1,236	208	—	1,444	
	B	311	52	—	363	
	Below B	84	14	—	98	
	Not rated	228	39	—	267	
Asset-backed securities and collateralized mortgage obligations	AAA	9,027	8,341	—	17,368	
	AA	3,080	519	—	3,599	
	A	2,552	430	—	2,982	
	BBB	3,643	614	—	4,257	
	BB	870	147	—	1,017	
	B	1,300	219	—	1,519	
	Below B	1,241	209	—	1,450	
	Not rated	4,993	841	—	5,834	
Municipal bonds	AAA	—	—	449	449	
	AA	7	1	2,907	2,915	
	A	—	—	79	79	
	BB	27	5	—	32	
Mutual funds – fixed income only	AAA	62,568	11,694	4,725	78,987	
	AA	20,553	3,643	2,932	27,128	
	A	7,775	1,703	1,378	10,856	
	BBB	10,274	2,023	2,020	14,317	
	BB	3,708	625	264	4,597	
	B	3,675	619	171	4,465	
	Below B	5,554	936	97	6,587	
	Not rated	3,403	574	226	4,203	
Bank debt	BB	23	4	—	27	
	B	39	7	—	46	
	Below B	3	—	—	3	
	Not rated	6	1	—	7	
Certificate of deposit	Not rated	—	—	208	208	
Marketable alternative investments – fixed income only	N/A	9,747	1,642	—	11,389	
Total		\$ 161,703	102,592	16,777	281,072	

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Investment type	Credit quality	2023			Total
		Endowment	Current funds	Life income	
(Dollars in thousands)					
U.S. government securities	AAA	\$ 2,831	24,092	196	27,119
	AA	622	111	—	733
U.S. agency securities	AAA	—	10,792	—	10,792
Corporate bonds	AAA	90	16	—	106
	AA	47	2,572	—	2,619
	A	851	19,419	—	20,270
	BBB	2,654	21,730	—	24,384
	BB	1,938	347	—	2,285
	B	335	60	—	395
	Below B	19	3	—	22
	Not rated	263	47	—	310
Asset-backed securities and collateralized mortgage obligations	AAA	1,769	6,992	—	8,761
	AA	2,869	514	—	3,383
	A	1,134	203	—	1,337
	BBB	2,627	471	—	3,098
	BB	2,151	385	—	2,536
	B	1,203	215	—	1,418
	Below B	1,464	262	—	1,726
	Not rated	11,401	2,071	—	13,472
Municipal bonds	AAA	—	—	493	493
	AA	14	3	2,849	2,866
	A	—	148	243	391
	BBB	8	1	—	9
	BB	34	6	—	40
Mutual funds – fixed income only	AAA	60,721	12,177	6,340	79,238
	AA	3,308	2,272	433	6,013
	A	7,702	4,259	1,189	13,150
	BBB	11,199	3,125	1,638	15,962
	BB	4,168	770	250	5,188
	B	3,271	596	186	4,053
	Below B	3,923	729	93	4,745
	Not rated	2,899	520	256	3,675
Bank debt	BBB	30	5	—	35
	BB	120	21	—	141
	B	83	15	—	98
	Below B	10	2	—	12
Certificate of deposit	Not rated	—	—	595	595
Marketable alternative investments – fixed income only	N/A	7,783	1,394	—	9,177
Total		\$ 139,541	116,345	14,761	270,647

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

The foundation holds \$14.7 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and \$23.3 million of collateralized mortgage obligations as of June 30, 2024. The foundation holds \$13.3 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and \$22.4 million of collateralized mortgage obligations as of June 30, 2023. These investments were obtained in part to provide an attractive yield

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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, 2024, 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 as of June 30, 2024 and 2023:

Foreign currency	Value (U.S. dollar)	
	2024	2023
	(Dollars in thousands)	
British pound sterling	\$ 9,179	9,189
Canadian dollar	113	148
Danish Krone	1,522	—
Euro	12,191	12,259
Total	\$ 23,005	21,596

(f) Commitments

As of June 30, 2024 and 2023, the foundation had total accumulated commitments to nonmarketable private alternative investments, marketable private investments, private natural resources investments, and private real estate investments of \$1.2 billion and \$1.1 billion, respectively. As of June 30, 2024 and 2023, the foundation had funded \$1.1 billion and \$1.0 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.

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(5) Restricted Pledges and Estates Receivable

The foundation had the following pledges and estates receivable as of June 30, 2024 and 2023:

	2024	2023
	(Dollars in thousands)	
Pledges maturing within 1 year	\$ 137,607	115,888
Pledges maturing within 2–9 years	14,168	93,990
	151,775	209,878
Less allowance for uncollectible pledges	(519)	(621)
	151,256	209,257
Less discount for net present value (rates of 0.16% to 4.88%)	(1,677)	(3,468)
Total net pledges receivable	149,579	205,789
Estates receivable	10,475	10,400
Less allowance for uncollectible estates receivable	(18)	(17)
	10,457	10,383
Less discount for net present value (rates of 0.98% to 4.88%)	(1,016)	(1,026)
Total net estates receivable	9,441	9,357
Total restricted pledges and estates receivable, net \$	159,020	215,146

(6) Trusts Held by Others

The foundation is the named beneficiary of 38 and 39 trusts held by outside trustees as of June 30, 2024 and 2023, respectively. The fair value reported to management of trust assets held by others was \$55.6 million and \$51.4 million as of June 30, 2024 and 2023, respectively. Trust distributions from these assets are recorded as contributions as they occur. Trust distributions of \$1.9 million and \$2.2 million were recorded as contributions during fiscal years 2024 and 2023, respectively.

(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 noncancelable subscription arrangements (similar to a lease) for the right to use various information technology hardware and software (subscription IT arrangements).

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A summary of lease and subscription IT asset activity during the year ended June 30, 2024 is as follows:

	<u>June 30, 2023 balance</u>	<u>Additions</u>	<u>Remeasure- ments</u>	<u>Deductions</u>	<u>June 30, 2024 balance</u>
	(Dollars in thousands)				
Lease assets:					
Buildings and equipment	\$ 9,804	32	—	(31)	9,805
Less accumulated amortization:					
Buildings and equipment	<u>(1,003)</u>	<u>(582)</u>	<u>—</u>	<u>31</u>	<u>(1,554)</u>
Total lease assets, net	<u>8,801</u>	<u>(550)</u>	<u>—</u>	<u>—</u>	<u>8,251</u>
Subscription IT assets	3,011	—	—	(864)	2,147
Less accumulated amortization:					
Subscription IT assets	<u>(1,321)</u>	<u>(404)</u>	<u>—</u>	<u>864</u>	<u>(861)</u>
Subscription IT assets, net	<u>1,690</u>	<u>(404)</u>	<u>—</u>	<u>—</u>	<u>1,286</u>
Total lease and subscription IT assets, net	<u>\$ 10,491</u>	<u>(954)</u>	<u>—</u>	<u>—</u>	<u>9,537</u>

A summary of lease and subscription IT asset activity during the year ended June 30, 2023 is as follows:

	<u>June 30, 2022 balance</u>	<u>Additions</u>	<u>Remeasure- ments</u>	<u>Deductions</u>	<u>June 30, 2023 balance</u>
	(Dollars in thousands)				
Lease assets:					
Buildings and equipment	\$ 9,804	—	—	—	9,804
Less accumulated amortization:					
Buildings and equipment	<u>(421)</u>	<u>(582)</u>	<u>—</u>	<u>—</u>	<u>(1,003)</u>
Total lease assets, net	<u>9,383</u>	<u>(582)</u>	<u>—</u>	<u>—</u>	<u>8,801</u>
Subscription IT assets	2,968	150	36	(143)	3,011
Less accumulated amortization:					
Subscription IT assets	<u>(886)</u>	<u>(392)</u>	<u>(185)</u>	<u>142</u>	<u>(1,321)</u>
Subscription IT assets, net	<u>2,082</u>	<u>(242)</u>	<u>(149)</u>	<u>(1)</u>	<u>1,690</u>
Total lease and subscription IT assets, net	<u>\$ 11,465</u>	<u>(824)</u>	<u>(149)</u>	<u>(1)</u>	<u>10,491</u>

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A summary of changes in the related lease and subscription IT liability during the year ended June 30, 2024 is as follows:

	June 30, 2023 balance	Additions	Remeasure- ments	Deductions	June 30, 2024 balance
	(Dollars in thousands)				
Lease liabilities and subscription IT liabilities	\$ 11,148	32	—	(634)	10,546

A summary of changes in the related lease and subscription IT liability during the year ended June 30, 2023 is as follows:

	June 30, 2022 balance	Additions	Remeasure- ments	Deductions	June 30, 2023 balance
	(Dollars in thousands)				
Lease liabilities and subscription IT liabilities	\$ 11,840	150	36	(878)	11,148

Lease and subscription IT liability amounts due within one year as of June 30, 2024 and 2023 are \$0.6 million and \$0.7 million, respectively.

The foundation leases its office space at the Jacobs Center under a lease expiring November 20, 2033. The total obligation under this office space lease and for various equipment leases is as follows for the years ending June 30 (dollars in thousands):

	Principal amount	Interest amount	Total
Year ending June 30:			
2025	\$ 396	292	688
2026	428	278	706
2027	341	265	606
2028	247	259	506
2029	524	245	769
Thereafter	7,242	1,239	8,481
	\$ 9,178	2,578	11,756

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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:			
2025	\$ 216	40	256
2026	192	34	226
2027	210	28	238
2028	229	20	249
2029	250	12	262
Thereafter	271	4	275
	\$ 1,368	138	1,506

The foundation had net costs for office space and equipment leases and subscription IT arrangements of \$1.3 million and \$1.5 million during the years ended June 30, 2024 and 2023, respectively.

(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, 2024 and 2023, approximately \$19.7 million and \$27.9 million, respectively, was held. The foundation provided approximately \$9.6 million and \$6.4 million of funds received during the merger for OPPR funds to OHSU during the fiscal years ended June 30, 2024 and 2023, respectively.

Additionally, subsequent to the merger, departments within the Medical Group have deposited funds with the foundation. Approximately \$60.6 million and \$57.7 million of funds transferred subsequent to the merger are recorded as fiduciary funds for benefit of OHSU at June 30, 2024 and 2023, respectively.

In total, the foundation held \$80.3 million and \$85.6 million of OPPR funds at June 30, 2024 and 2023, respectively.

(b) OHSU

The foundation provides investment management services to OHSU for its endowment fund. The fair value of the OHSU endowment was \$113.8 million as of June 30, 2024 and \$113.2 million as of June 30, 2023. OHSU retains ownership of these funds and they are recorded as fiduciary funds for

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benefit of OHSU. The foundation has recorded revenues of approximately \$1.8 million during each of the years ended June 30, 2024 and 2023, included in the accompanying statements of revenues, 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 \$121.5 million and \$164.3 million recorded as fiduciary funds for the benefit of OHSU, in the pending fund at June 30, 2024 and 2023, respectively. During the year ended June 30, 2024 the donor applied a \$54.0 million withdrawal from the pending fund toward their existing pledge commitment.

(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, 2024 and 2023, 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.

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(9) Capital Assets

The following is a summary of capital assets for the fiscal years ended June 30, 2024 and 2023:

	June 30, 2023	Increases	Decreases	June 30, 2024
	balance	(Dollars in thousands)		balance
Capital assets:				
Building lease improvements	\$ 1,065	16	—	1,081
Computer equipment	1,539	377	(257)	1,659
Office equipment	375	—	—	375
Total capital assets	2,979	393	(257)	3,115
Less accumulated depreciation:				
Building lease improvements	(89)	(64)	—	(153)
Computer equipment	(840)	(74)	257	(657)
Office equipment	(33)	(22)	—	(55)
Total accumulated depreciation	(962)	(160)	257	(865)
Total capital assets, net	\$ 2,017	233	—	2,250
	June 30, 2022	Increases	Decreases	June 30, 2023
	balance	(Dollars in thousands)		balance
Capital assets:				
Building lease improvements	\$ 931	135	(1)	1,065
Computer equipment	1,285	254	—	1,539
Office equipment	374	1	—	375
Total capital assets	2,590	390	(1)	2,979
Less accumulated depreciation:				
Building lease improvements	(26)	(63)	—	(89)
Computer equipment	(828)	(12)	—	(840)
Office equipment	(11)	(22)	—	(33)
Total accumulated depreciation	(865)	(97)	—	(962)
Total capital assets, net	\$ 1,725	293	(1)	2,017

The foundation has recorded depreciation expense of \$0.2 million and \$0.1 million during fiscal year 2024 and 2023, respectively, which is included in supporting services in the accompanying statements of revenues, expenses, and changes in net position.

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(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 \$1.5 million and \$1.1 million for the years ended June 30, 2024 and 2023 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, 2024 and 2023 are as follows at the date of donation:

	<u>Agreements</u>	<u>2024</u>	
		<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)	
Charitable remainder unitrusts	3	\$ 658	1
Charitable gift annuities	12	4,677	2,472
	<u>15</u>	<u>\$ 5,335</u>	<u>2,473</u>
	<u>Agreements</u>	<u>2023</u>	
		<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)	
Charitable remainder unitrusts	2	\$ 6	2
Charitable gift annuities	4	335	207
	<u>6</u>	<u>\$ 341</u>	<u>209</u>

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Total life income instruments held at June 30, 2024 and 2023 are as follows:

	<u>Agreements</u>	<u>2024</u>	
		<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)	
Charitable remainder unitrusts	34	\$ 17,128	5,203
Charitable lead trusts	2	23,364	10,708
Charitable gift annuities	167	14,817	8,032
Life estate agreements	3	1,568	772
	<u>206</u>	<u>\$ 56,877</u>	<u>24,715</u>

	<u>Agreements</u>	<u>2023</u>	
		<u>Asset</u>	<u>Liability</u>
		(Dollars in thousands)	
Charitable remainder unitrusts	39	\$ 16,764	5,281
Charitable lead trusts	3	21,522	8,713
Charitable gift annuities	157	9,990	5,689
Life estate agreements	3	1,604	820
	<u>202</u>	<u>\$ 49,880</u>	<u>20,503</u>

Ten charitable gift annuities, included above, with a total gift value of \$3.0 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, 2024 and 2023 are summarized below:

	<u>2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>2024</u>
	<u>balance</u>			<u>balance</u>
		(Dollars in thousands)		
Charitable remainder unitrusts	\$ 5,281	984	(1,062)	5,203
Charitable lead trusts	8,713	1,995	—	10,708
Charitable gift annuities	5,689	3,314	(971)	8,032
Life estate agreements	820	—	(48)	772
Total	<u>\$ 20,503</u>	<u>6,293</u>	<u>(2,081)</u>	<u>24,715</u>

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	2022 balance	Increases	Decreases	2023 balance
		(Dollars in thousands)		
Charitable remainder unitrusts	\$ 5,303	1,124	(1,146)	5,281
Charitable lead trusts	7,973	740	—	8,713
Charitable gift annuities	5,920	611	(842)	5,689
Life estate agreements	915	21	(116)	820
Total	\$ 20,111	2,496	(2,104)	20,503

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, 2024 and 2023 are as follows:

	2024	2023
	(Dollars in thousands)	
Funds for current operations	\$ 72,916	63,843
Designated for specific purposes	19,210	15,570
Designated for endowment	82,453	77,127
Total unrestricted net position	\$ 174,579	156,540

(13) Supporting Services

Supporting services, which included administrative and fund-raising expenses, totaled approximately \$30.3 million and \$25.8 million for the years ended June 30, 2024 and 2023, 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 24, 2024, the date on which the financial statements were issued, noting none.