

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2021 and 2020

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

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Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

We have audited the accompanying financial statements of the business-type activities and discretely presented component units of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2021 and 2020, and the related notes to the financial statements, which collectively comprise OHSU's basic financial statements for the years then ended as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management’s discussion and analysis on pages 3 through 28 and the supplementary pension information on page 104, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Government Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information, in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OHSU’s basic financial statements. The supplemental information included in schedules 1, 2, 3, 4, and 5 on pages 105 through 111 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information included in schedules 1 through 5 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

[(signed) KPMG LLP]

Portland, Oregon

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Management Discussion and Analysis

June 30, 2021 and 2020

(Dollars in thousands)

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public health sciences university and major academic health center. It is a national leader in education of health professionals and scientists, advanced biomedical and healthcare research, leading edge patient care, and outreach. As part of its multifaceted public mission, OHSU strives for excellence in education, research and scholarship, clinical practice, and community service. Through its dynamic interdisciplinary environment, OHSU stimulates the spirit of inquiry, initiative, and collaboration among students, faculty, and staff.

The following discussion and analysis provides an overview of the financial activities of OHSU for the year ended June 30, 2021 and should be read in conjunction with the financial statements and related note disclosures. This discussion was prepared by management and is designed to focus on current activities, resulting changes, and current known facts with selective comparative information for the years ended June 30, 2020 and June 30, 2019.

Financial Highlights

The broadest measure of OHSU's financial strength is net position, which increased by \$493 million or 13.7% in fiscal year 2021, to \$4.1 billion, compared to a small decrease in net position of \$14 million in fiscal year 2020. Very strong investment returns of \$440 million, \$73 million in additional federal grants from the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), and increased recovery of operations from the initial impacts of Coronavirus or COVID-19, were partially offset by accrued pension expense.

Accrued pension expense in fiscal year 2021 and 2020 reflects cumulative 2018 and 2019 investment returns on pension assets that were less than assumed, generating actuarial investment losses in Oregon's Public Employees Retirement System (PERS) that covers certain OHSU employees. PERS results affect OHSU financial statements with a lag.

OHSU's debt service coverage ratio was 6.92 times maximum annual debt service in fiscal year 2021, up from 2.93 in fiscal year 2020. Unrestricted days cash on hand, post GASB 68, were 256 on June 30, 2021, which include \$130 million of Medicare Accelerated and Advance Payments and \$62 million of OHSU's share of deferred FICA payroll taxes that were part of the federal response to COVID-19. Excluding these one time cash receipts, days cash on hand were 233.

For management purposes, OHSU prepares internal financial statements using the single line "equity method" of reporting results of OHSU Foundation. This method follows the "Total University" column on the combining financial statements included at the end of these financial statements, with gifts recorded when transferred from the Foundation to the University for use and State appropriations included within operating revenues.

The State grant to the Knight Cancer Challenge, the recording then spending of large gifts, and accrued expenses for PERS pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the analysis of adjusted operating income on the following table to track underlying performance on a consistent basis: revenue from the State grant and gifts to the Knight Cancer Challenge that funded the Knight Cancer Research Building are removed, and expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

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On this basis, adjusted operating revenues increased by 8.1% and adjusted operating income recovered to a gain of \$72 million in fiscal year 2021, compared to revenue growth of only 4.2% and a loss of \$(28) million in fiscal year 2020. This pattern reflects recovery from deferral of non-urgent cases and other impacts to operations during the first months of COVID-19 in the spring of 2020. Increased complexity of cases, stable payer mix, strong pharmacy growth, and tight control of services and supplies also contributed to improved year-over-year performance. Nonoperating gains were much higher in fiscal year 2021 as well, from investment returns and CARES Act funding.

**Analysis of Total University Column of Combining Statements of
Revenues, Expense, and Changes in Net Position**

Years Ended June 30, 2021, 2020 and 2019

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Adjusted operating revenues			
before Knight Cancer Research Building funding	\$ 3,663,867	3,390,562	3,254,385
Salaries, benefits, services, and supplies, net of accrual adjustments for pension	3,379,530	3,205,607	2,859,985
Depreciation, amortization, and interest	211,878	213,273	217,921
Adjusted operating expenses	<u>3,591,408</u>	<u>3,418,880</u>	<u>3,077,906</u>
Adjusted operating income (loss)	72,459	(28,318)	176,479
Knight Cancer Research Building funding	—	—	30,393
Accrual adjustments for pension benefits	(67,092)	(58,521)	(34,336)
Total University operating income (loss)	5,367	(86,839)	172,536
CARES Act funding	72,593	37,859	—
Investment and other nonoperating income	147,994	49,845	70,849
Total University net income	225,954	865	243,385
Contributions for capital and other	5,965	7,088	32,816
Change in interest in the Foundations	260,807	(21,810)	(24,293)
Total increase (decrease) in net position	<u>\$ 492,726</u>	<u>(13,857)</u>	<u>251,908</u>

Although risks from COVID-19 remain, management believes that OHSU has preserved its underlying financial position, providing a firm platform to build back to where revenues cover both operations and robust investment in people, programs and places on a sustainable basis.

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COVID-19 Funding

Significant federal and state COVID-19 financial and liquidity support was provided to OHSU in the form of grants and loans in both fiscal year 2021 and 2020. The key programs included:

Medicare Advance Payment Program. In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program (AAPP) to allow Medicare providers to receive advances on future Medicare reimbursement. OHSU received \$145 million in federal Medicare advances in fiscal year 2020. Medicare began recovering advance payments by offsetting claims for services starting in April 2021 and recovered \$15 million in fiscal year 2021. OHSU estimates the recoupment period will extend into 2022. The remaining \$130 million is recorded in the accompanying Statements of Net Position: \$118 million as Unearned/Medicare advance payment current liability and \$12 million as long-term liability.

CARES Act FICA Deferral. Under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes. OHSU deferred \$62 million of applicable payroll taxes from the date the Act was signed into law through June 30, 2021. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022. The portion due December 31, 2021 of \$31 million is reflected on the Statements of Net Position as accrued salaries, wages and benefits current liability while the remaining is shown as long-term liability.

CARES Act Provider Relief Fund. Under the CARES Act, enacted in March 2020, the Provider Relief Fund payments are intended to provide financial support to healthcare providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19, and have health care related expenses and lost revenues attributable to COVID-19. OHSU received \$109.9 million under the "General" and "Targeted" distributions. OHSU recognized as CARES Act grants under other nonoperating revenues \$72.6 million and \$37.3 million for fiscal years 2021 and 2020, respectively.

Higher Education Emergency Relief Fund (HEERF) Grants. OHSU was awarded funding from HEERF I, II and III grants for Postsecondary Education. Each grant has specific criteria defined as the use of funds and eligibility. The provided funding comes in the form of emergency financial aid grants for students (Student Portion) and supplemental grant funds for institutional costs (Institutional Portion) to defray expenses associated with coronavirus. As of fiscal year end June 30, 2021, OHSU has applied the Institutional Portion to cover lost tuition and fees incurred in spring term 2020. OHSU recognized as CARES Act grants under other nonoperating revenues \$1.1 million and \$0.5 million for fiscal years 2021 and 2020, respectively.

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Results of Operations

The statements of revenues, expenses, and changes in net position present OHSU's results of operations, including the Foundation. In accordance with generally accepted accounting principles (GAAP) for a government entity, revenues and expenses are classified as either operating or nonoperating.

The programs and operations of the University and the Foundation are funded from a broad range of sources, some of which are classified as operating and others as nonoperating. Thus on the combined GAAP statements summarized below, management believes that the net income/(loss) before contributions for capital and other line, which includes both operating and nonoperating revenues, provides the most useful indicator of financial performance, for several reasons. First, State appropriations and federal CARES Act grants are reported as nonoperating revenues although they support operating expenses and lost operating revenues. Second, Foundation operating expenses include transfers to the University as well as fundraising and other costs that are funded in part by endowment investment income, also reported as nonoperating. Third, a large factor impacting defined-benefit pension expense on a GASB 68 accrual basis is prior-year investment returns in Oregon's PERS pension system, while other investment returns are reported on a current year basis within nonoperating revenues.

Condensed Statements of Revenues, Expenses, and Changes in Net Position

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>\$ Change</u>
Patient service revenue, net	\$ 2,595,048	2,375,275	219,773
Gifts, grants, and contracts	703,065	664,646	38,419
All other operating revenues	<u>308,161</u>	<u>273,200</u>	<u>34,961</u>
Total operating revenues	<u>3,606,274</u>	<u>3,313,121</u>	<u>293,153</u>
Salaries, wages, and benefits	2,166,014	2,041,677	124,337
Defined-benefit pension	113,695	109,907	3,788
All other operating expenses	<u>1,406,739</u>	<u>1,347,970</u>	<u>58,769</u>
Total operating expenses	<u>3,686,448</u>	<u>3,499,554</u>	<u>186,894</u>
Operating income	(80,174)	(186,433)	106,259
Other nonoperating revenues (expenses)	443,932	70,343	373,589
State appropriations	44,243	39,581	4,662
CARES Act Grants	<u>72,593</u>	<u>37,859</u>	<u>34,734</u>
Net income/(loss) before contributions for capital and other	480,594	(38,650)	519,244
Other changes in net position	<u>12,132</u>	<u>24,793</u>	<u>(12,661)</u>
Total change in net position	<u>\$ 492,726</u>	<u>(13,857)</u>	<u>506,583</u>

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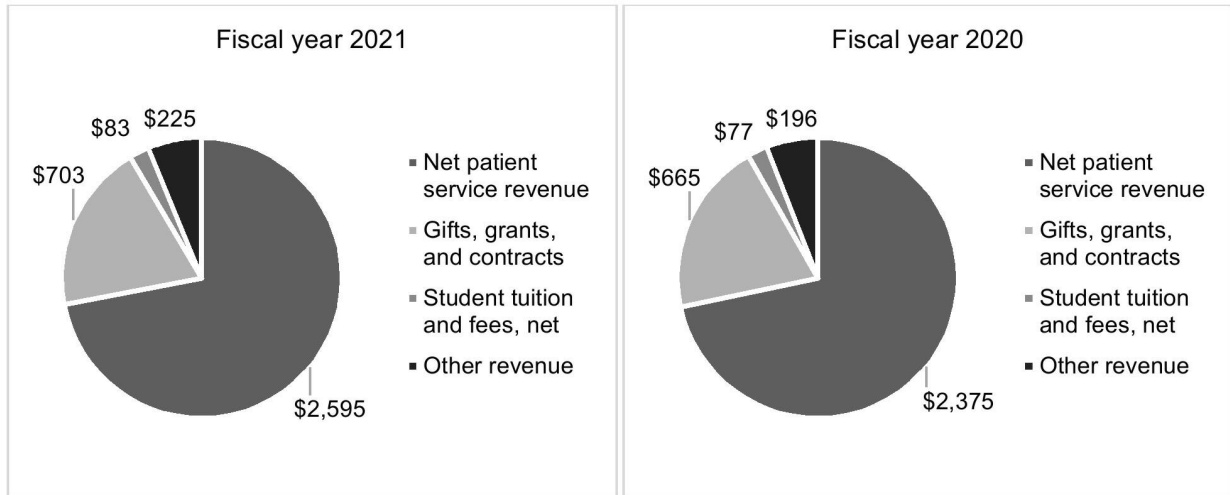
(Dollars in thousands)

OHSU’s consolidated operating income increased in fiscal year 2021 by \$106 million compared to fiscal year 2020. The resuming of essential services, non-urgent and elective procedures, resulted in revenues rising, offset in part by PERS pension impacts and additional expenses associated with pandemic management. While the CARES Act grants, reported as nonoperating revenue, provided additional relief, they did not close the gap fully. However, significant investment returns, endowment gains and philanthropy did, resulting in positive consolidated net income before contributions for capital and other of \$481 million in fiscal year 2021, an increase of \$519 million from the loss of \$(39) million recorded in fiscal year 2020.

Revenues Supporting Core Activities

OHSU’s operating revenues for fiscal year 2021 total \$3.60 billion, an increase of 8.9% from fiscal year 2020 at \$3.31 billion. The increase was driven by patient service revenue, grants, gifts and contracts and pharmaceutical services.

Operating Revenue by Source
Fiscal years 2021 and 2020 (Total \$3.6 billion and \$3.3 billion, respectively)
 (Dollars in millions)



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Patient service revenue increases stemmed from complexity of cases and stable payer mix. The following table of admissions and surgeries by month for fiscal years 2021 and 2020, shows the initial impact of the pandemic in March and April 2020 followed by recovery since then. Demand for OHSU's tertiary and quaternary services remains strong, however capacity has been constrained by beds in double rooms not used due to COVID-19, nurse staffing shortages limiting some ICU, OR and procedural capacity, and an increase in behavioral health cases that has increased average length of stay.

**Hospital Patient Volume Count Detail and
Hospital and Clinics Surgical Cases**

	Admissions		Surgical Cases	
	FY21	FY20	FY21	FY20
July	2,227	2,633	2,745	3,270
August	2,168	2,422	2,697	3,247
September	2,135	2,368	2,675	2,995
October	2,194	2,524	2,956	3,287
November	1,995	2,342	2,561	3,006
December	2,053	2,413	2,782	3,081
January	2,012	2,439	2,516	3,162
February	1,867	2,257	2,496	2,828
March	2,228	2,030	2,939	2,163
April	2,318	1,542	3,041	965
May	2,216	2,000	2,829	2,045
June	2,199	2,085	2,887	2,623
Total	25,612	27,055	33,124	32,672

Grants, gifts, and contracts remained strong in fiscal year 2021 at \$703 million, compared to \$665 million in 2020, despite the restricted research environment due to modified operations as a result of COVID-19. The University continues to report consistent growth in federal government and industry grants, an indicator of the success of OHSU's research and other programs, along with steady increases in medical contracts over the last three fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation when pledged, and at the University when transferred from the Foundations and applied to program expenditures. The receipt of large gifts pledged in one year, received in cash over time, then spent during subsequent periods, results in significant fluctuation in the gift component of OHSU revenues on a combined basis. Gifts from the Foundations continue to provide critical funding to faculty, programs, and academic initiatives.

The Bill and Melinda Gates Foundation provided two grants in fiscal year 2021 totaling \$14.2 million to support HIV and TB vaccine using the CMV (Cytomegalovirus) platform. Several gifts were made in support of the pandemic response in fiscal year 2020, including: a \$7 million joint donation by Nike leaders and spouses John and Eileen Donahoe, Mark and Kathy Parker, and Phil and Penny Knight, to accelerate statewide efforts to contain, diagnose and treat COVID-19; \$1.6 million from the Andrew and Corey Morris-Singer Foundation to

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expand access to healthcare professionals through a new phone hotline and telemedicine services; and \$1.5 million from an Oregon couple moved by the heroic work of frontline clinicians and healthcare workers during the COVID-19 crisis.

	Fiscal year ending June 30		
	2021	2020	2019
	(Dollars in thousands)		
University grants and contracts, direct portion	\$ 534,952	492,818	457,088
University grants and contracts, indirect cost recovery	105,887	102,882	97,974
State grant to the Knight Cancer Challenge	—	—	8,332
Foundation gifts, net of eliminations, transferred to the University	62,226	68,946	47,686
Total gifts, grants, and contracts	<u>\$ 703,065</u>	<u>664,646</u>	<u>611,080</u>

Student tuition and fees were \$83 million and \$77 million in fiscal year 2021 and 2020, respectively. Fiscal year 2021 marks the eighth year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program. In 2020, OHSU refunded \$2.4 million in tuition to students that were unable to participate in clinical rotations during spring term as a result of the COVID-19 pandemic.

Other revenue increased in fiscal year 2021 by \$29 million, or 15.1%, from fiscal year 2020 in part from increases in outpatient pharmaceutical sales. OHSU provides drug treatment to patients through normal retail sales, as well as a specialty pharmacy where patients are able to obtain specialty drugs delivered to their homes for complex conditions such as autoimmune diseases and organ transplants.

Investment income and gain in fair value of investments, reported in other nonoperating revenues (expenses), totaled \$440 million in fiscal year 2021 compared to \$83 million in fiscal year 2020, largely reflecting the financial market response to the COVID-19 pandemic and unprecedented levels of federal fiscal and monetary support.

Certain revenues relied upon and budgeted for in operational support of education and service programs of the University are required to be recorded as nonoperating revenues. For management purposes, OHSU measures operating results including state appropriations. State appropriations totaled \$44 million in fiscal year 2021 and \$40 million in 2020. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center. In fiscal year 2021, state appropriations includes a \$5 million match from the State of Oregon Employer Incentive Fund (EIF), a program introduced to match PERS pension employer side account deposits.

As noted previously, OHSU received \$108 million under the "General" and "Targeted" distributions of the CARES Act Provider Relief Fund. OHSU recognized as CARES Act grants under other nonoperating revenues

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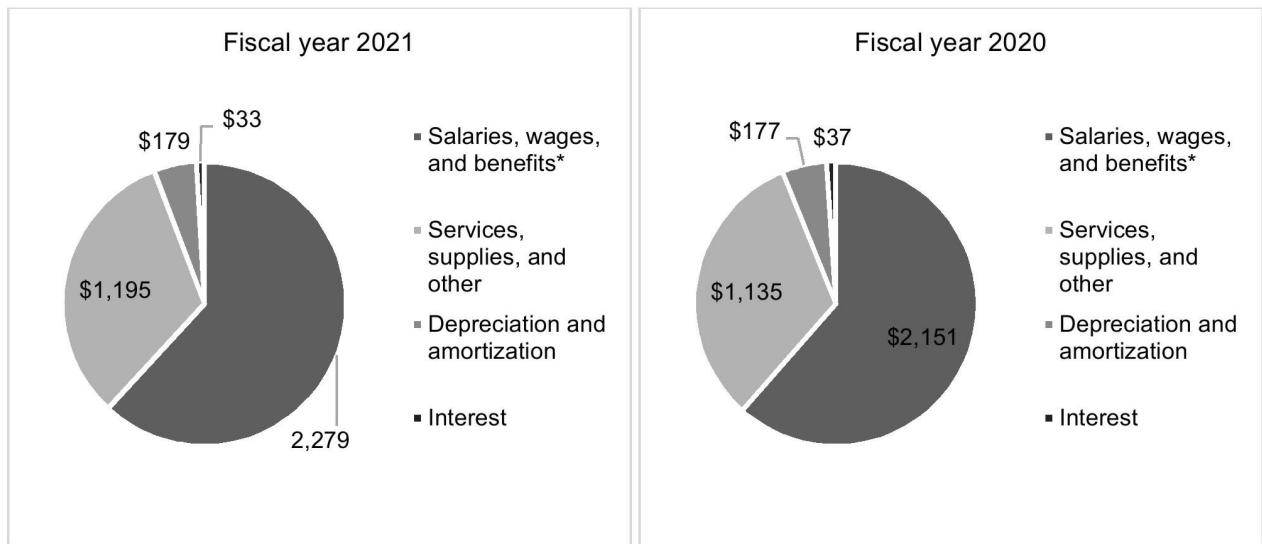
\$73 million and \$38 million for fiscal years 2021 and 2020, respectively, which also includes the institution portion of the HEERF grants for Postsecondary Education.

Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by \$187 million, or 5.3%, in fiscal year 2021, and \$367 million, or 11.7%, in fiscal year 2020. In fiscal year 2021, expense growth is related to salaries, wages, and benefits, defined-benefit pension expense, services, supplies and other.

Operating Expenses
Fiscal years 2021 and 2020 (Total \$3.7 billion and \$3.5 billion, respectively)

(Dollars in millions)



* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of \$114 million and \$110 million expensed in fiscal years 2021 and 2020, respectively.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 58.8% of total expenses, increasing by \$124 million, or 6.1%, in 2021 and \$183 million, or 9.8%, in 2020, respectively. In fiscal year 2021, expenses reflects additional staffing required to maintain operations in a COVID-19 pandemic environment and in fiscal year 2020 reflects OHSU's commitment to maintaining a full workforce with pay and benefits in March through June 30, 2020, during which elective and non-urgent procedures were restricted in order to conserve and redirect personal protective equipment for Oregon's COVID-19 emergency response.

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OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense increased in fiscal year 2021 and 2020 as a result of cumulative 2018 and 2019 asset returns that were less than assumed, generating actuarial investment losses. Partially offsetting are provisions from Senate Bill 1049 that re-amortized the unfunded actuarial liability over 22 years and limited certain annual salary benefits to \$195,000 (indexed) starting in fiscal year 2020.

Services, supplies, and other expenses increased \$60 million or 5.3% in fiscal year 2021 and \$151 million, or 15.4%, in 2020, representing the non-labor costs associated with program growth, spending on pharmaceuticals and medical supplies, along with new expenses required to operate in a COVID-19 pandemic environment, such as technology used to support telemedicine.

Fiscal year 2021 and 2020 also included integrated clinical operations support/(benefit) for Adventist Health Portland at \$(4.2) million and \$10 million, respectively, an affiliate since January 2018, and Tuality (Hillsboro Medical Center) at \$0 million and \$25 million, respectively, a partner since February 2016.

Depreciation and amortization represents the reduction in value of capital assets with the passage of time. In fiscal year 2021, depreciation and amortization increased by \$2 million, or 1.3%, compared to a decrease of \$(10) million, or 5.4%, in 2020. After a decrease in annual depreciation in fiscal 2020 due to the change in capital threshold in fiscal 2019, fiscal year 2021 saw a modest increase in depreciation. The increase reflects overall reduced capital and routine equipment expenditures related to the sharp reduction of capital activity in the last quarter of fiscal year 2020 as a result of COVID-19 which led to a slower resumption of capital activities in fiscal year 2021.

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Interest expense decreased by \$3.7 million, or 10.0%, in fiscal year 2021. Interest expense in the prior fiscal year was elevated due to costs of issuance of \$2.7 million for the Series 2019 Bonds. These costs of issuance were considered as a one-time expense in the prior year. The remaining difference year over year is the result of scheduled repayment of principal, interest savings from refinancing, and other amortization.

Operating Expenses by Functional Classification

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Instruction, research, and public service	\$ 565,922	541,954	507,049
Clinical activity	2,333,445	2,251,293	1,986,762
Auxiliary activities	6,528	8,220	7,498
Internal service centers	15,746	16,049	10,327
Student services	18,260	16,772	14,800
Academic support	108,619	92,708	82,662
Institutional support	205,433	169,228	146,093
Operations, maintenance, and other	144,736	133,926	118,943
Direct foundation expenditures	41,695	34,183	37,499
Depreciation and amortization	178,972	176,700	186,719
Defined pension benefit, net of contribution	67,092	58,521	34,336
Total operating expenses	<u>\$ 3,686,448</u>	<u>3,499,554</u>	<u>3,132,688</u>

Financial Position

The statements of net position present the assets and liabilities, deferred inflows of resources and deferred outflows of resources, and net position of OHSU as of a point in time. Net position, the difference between total assets and deferred outflows as compared to total liabilities and deferred inflows, presents the financial position at the end of the fiscal year and is one of the broadest measures of the financial condition of OHSU, while the change in net position is an indication of whether the overall financial condition has improved or worsened during the year.

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The following table summarizes OHSU's statements of net position for the past three years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Assets:			
Current assets	\$ 1,401,359	1,410,015	1,125,847
Capital assets	2,055,987	2,103,591	2,072,996
Other noncurrent assets	2,894,624	2,231,465	2,371,988
Total assets	6,351,970	5,745,071	5,570,831
Deferred outflows	234,013	206,985	205,752
Total assets and deferred outflows	\$ <u>6,585,983</u>	<u>5,952,056</u>	<u>5,776,583</u>
Liabilities:			
Current liabilities	\$ 634,898	612,056	460,019
Noncurrent liabilities	1,699,451	1,593,396	1,503,847
Total liabilities	2,334,349	2,205,452	1,963,866
Deferred inflows	153,566	141,262	193,518
Net position:			
Net investment in capital assets	1,232,802	1,254,205	1,239,304
Restricted, expendable	801,921	683,114	717,100
Restricted, nonexpendable	304,696	295,926	274,762
Unrestricted	1,758,649	1,372,097	1,388,033
Total net position	4,098,068	3,605,342	3,619,199
Total liabilities, deferred outflows, and net position – end of year	\$ <u>6,585,983</u>	<u>5,952,056</u>	<u>5,776,583</u>

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Assets

The largest components of OHSU's assets are cash and investments and capital assets, or physical plant.

Cash and Investments. During fiscal year 2021, OHSU's unrestricted and restricted cash and investments increased from \$2.5 billion to \$3.1 billion attributable to operating and investment performance and Foundation activity. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundation, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

**Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments**

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Unrestricted cash and investments:			
Cash and cash equivalents	\$ 433,534	427,991	96,419
Fixed income	942,161	855,547	1,035,482
Public Equity	366,662	191,761	243,920
Private Equity, Marketable Alt., and Other	524,907	389,588	300,800
Subtotal	<u>2,267,264</u>	<u>1,864,887</u>	<u>1,676,621</u>
Restricted cash and investments:			
Cash and cash equivalents	33,364	43,305	16,480
Fixed income	158,260	133,778	166,309
Public Equity	172,478	135,443	214,597
Private Equity, Marketable Alt., and Other	502,081	366,687	294,389
Subtotal	<u>866,183</u>	<u>679,213</u>	<u>691,775</u>
Totals	<u>\$ 3,133,447</u>	<u>2,544,100</u>	<u>2,368,396</u>

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The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand increased from 222 days in 2020 to 256 days in 2021, the effect of a 20.9% increase in unrestricted operating cash and investments compared to a 4.9% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OHSU without OHSU Foundation:			
Unrestricted cash and investments	\$ 1,616,669	1,356,421	1,171,106
Less nonoperating cash and investments	(80,132)	(55,319)	(45,297)
Operating cash and investments	<u>\$ 1,536,537</u>	<u>1,301,102</u>	<u>1,125,809</u>
Unrestricted operating expenses:			
Total operating expenses	\$ 3,269,674	3,128,200	2,777,553
Less depreciation and amortization	(178,888)	(176,617)	(186,621)
Net unrestricted operating expenses	<u>\$ 3,090,786</u>	<u>2,951,583</u>	<u>2,590,932</u>
Daily expense	\$ 8,468	8,087	7,098
Days cash on hand	181	161	159
OHSU plus OHSU Foundation:			
Unrestricted cash and investments	\$ 2,267,264	1,864,887	1,676,621
Less nonoperating cash and investments	(80,132)	(55,319)	(45,297)
Operating cash and investments	<u>\$ 2,187,132</u>	<u>1,809,568</u>	<u>1,631,324</u>
Unrestricted operating expenses:			
Total operating expenses	\$ 3,297,622	3,150,353	2,797,999
Less depreciation and amortization	(178,972)	(176,700)	(186,720)
Net unrestricted operating expenses	<u>\$ 3,118,650</u>	<u>2,973,653</u>	<u>2,611,279</u>
Daily expense	\$ 8,544	8,147	7,154
Days cash on hand	256	222	228

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The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2021, 2020, and 2019, calculated with the removal of pension adjustments due to the adoption of GASB 68.

Days Unrestricted Cash and Investments on Hand Pre-GASB 68 Adjustment

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
OHSU plus OHSU Foundation:			
Operating cash and investments	\$ 2,187,132	1,809,568	1,631,324
Net unrestricted operating expenses	\$ 3,118,650	2,973,653	2,611,279
Pension adjustment GASB 68	<u>(67,092)</u>	<u>(58,521)</u>	<u>(34,336)</u>
Adjusted net unrestricted operating expenses	<u>\$ 3,051,558</u>	<u>2,915,132</u>	<u>2,576,943</u>
Daily expense	\$ 8,360	7,987	7,060
Days cash on hand (pre-GASB 68)	262	227	231

Capital Assets. Capital investments in patient care, research, education, and outreach are scaled and paced to available funding from operating earnings and philanthropy. Capital assets, net of accumulated depreciation, decreased by \$48 million and increased by \$31 million, respectively, during fiscal years 2021 and 2020. In 2021 and 2020, capital expenditures included the continued construction of the Elks Children's Eye Clinic/Casey Eye Institute expansion, the design of OHSU Hospital Expansion Project (OHEP), and the purchase of the Physician's Pavilion building (PPV) along with annual capital for replacement, infrastructure, and new capacities. In response to the COVID-19 pandemic and financial challenges, the start of construction for the OHEP was deferred and overall capital spending was curtailed resulting in a decrease in capital assets net of accumulated depreciation.

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Liabilities

Total liabilities increased by \$129 million, or 5.8%, in fiscal year 2021 and \$242 million, or 12.3% in fiscal year 2020. In fiscal year 2021, the increases were primarily related to accounts payable and accrued expenses, accrued salaries, wages, and benefits, and PERS pension liability. In fiscal year 2020, the increases were related to several activities including the current portion of CARES Act Medicare Advance Payment, CARES Act deferral of OHSU's share of Social Security payroll taxes, PERS pension liability, long-term debt and other noncurrent liabilities.

Current liabilities consist of the current portion of long-term debt, capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2021 and 2020, current liabilities also reflect the CARES Act Medicare Advance Payment of \$118 million and \$146 million, respectively, and OHSU's share of deferred Social Security payroll taxes of \$62 million and \$24 million, respectively.

Noncurrent liabilities increased \$106 million or 6.7% in fiscal year 2021 due to an increase in the pension liability and the long-term portion of CARES Act Medicare Advance Payment in other noncurrent liabilities.

Debt Management. At the close of fiscal years 2021 and 2020, OHSU had a total of approximately \$970 million and \$997 million in long-term debt and capital leases outstanding, respectively. Of the total \$970 million in long-term debt and capital leases outstanding at the end of 2021, \$946 million is considered noncurrent and \$24 million is considered current and due within one year. OHSU continues to maintain its Standard & Poor's and Fitch ratings of AA-, and Moody's rating of Aa3.

One measure of the degree of leverage on the University's statements of net position is the ratio of total long-term debt to net position, shown below. Leverage, according to this metric, decreased from 0.28 in 2020 to 0.24 in 2021. In prior fiscal year 2020, this metric was slightly higher as OHSU issued long-term debt for the refunding of previous debt and the acquisition of Physicians Pavilion.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
	(Dollars in millions)		
Total debt and capital leases	\$ 970	997	979
Net position	<u>4,098</u>	<u>3,605</u>	<u>3,619</u>
Total debt and capital leases to net position	<u>\$ 0.24</u>	<u>0.28</u>	<u>0.27</u>

Maximum Annual Debt Service Coverage. The maximum annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the maximum annual interest and principal payment on debt. Per bond covenants, OHSU's credit group must maintain a debt coverage ratio of 1.10 times or greater. The University continues to exceed this minimum requirement with ratios of 6.92 in fiscal year 2021, 2.93 in 2020, and 6.65 in 2019.

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Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total excess of revenues over expenses	\$ 480,594	(38,650)	219,827
Add/subtract restricted net loss/gain	(132,947)	21,581	51,905
Unrestricted excess of revenues over expenses	<u>\$ 347,647</u>	<u>(17,069)</u>	<u>271,732</u>
Adjustments:			
Net unrealized (gain) loss in fair value of investments	\$ (129,506)	(14,276)	(58,639)
Loss on disposal of assets	193	419	411
Interest expense ⁽¹⁾	32,990	36,331	30,965
Depreciation and amortization	178,972	176,700	186,720
	<u>\$ 82,649</u>	<u>199,174</u>	<u>159,457</u>
Income available for debt service	\$ 430,296	182,105	431,189
Maximum annual debt service	62,147	62,180	64,879
Maximum annual debt service coverage	6.92	2.93	6.65

⁽¹⁾ Interest expense is decreased by investment income on trust accounts.

The following table presents the maximum annual debt service coverage ratio for the last three fiscal years, calculated with the removal of pension adjustments due to the adoption of GASB 68.

**Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted
Pre-GASB 68 Adjustment**

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Income available for debt service	\$ 430,296	182,105	431,189
Pension adjustment GASB 68	67,092	58,521	34,336
Adjusted income available for debt service	<u>\$ 497,388</u>	<u>240,626</u>	<u>465,525</u>
Maximum annual debt service	\$ 62,147	62,180	64,879
Maximum annual debt service coverage (pre-GASB 68)	8.00	3.87	7.18

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Deferred Inflows and Outflows

Under GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, certain deferred outflows are presented below assets and certain deferred inflows are presented below liabilities.

In fiscal year 2021, the deferred outflows increased by \$27 million and deferred inflows increased by \$12 million due to several items, including deferred amortization of derivative instruments, losses and gains on refunding of debt, pension activities, life income agreements and pending funds. In fiscal year 2020, the deferred outflows increased by \$1 million and the deferred inflows decreased by \$52 million due to several items of significance, including deferred amortization of derivative instruments, losses on refunding debt, pension amounts and pending funds.

Within the deferred outflows section of the statements of net position is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. The balance of the deferred outflow for amortization of derivative instruments was \$6.1 million in 2021 and \$7.3 million in 2020.

Losses and gains on refunding of debt are amortized over the shorter of the life of the new debt or the remaining life of the old debt. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of \$27.8 million in 2021 and \$30.2 million in 2020 is reported in the deferred outflows section below assets. The deferred gain on refunding of debt of \$1.3 million in 2021 and \$1.5 million in 2020 is reported in the deferred inflows section below liabilities.

In fiscal year 2021 and 2020, the deferred outflows related to the Oregon PERS pension obligation were \$190 million and \$160 million, respectively, primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2021, OHSU's contributions were \$58 million, which included an additional \$10 million in excess contribution above the contractually required \$48 million. In fiscal year 2020, OHSU's contributions made post measurement date were \$61 million, which included an additional \$10 million in excess contribution above the contractually required \$51 million. Deferred inflows related to pension activities for fiscal years 2021 and 2020 were \$46 million and \$56 million, respectively, representing a decrease in proportionate share.

Finally, deferred inflows included an increase in life income agreements of \$6 million and an increase of \$17 million in pending funds.

Net Position

As noted earlier, total net position increased \$493 million in fiscal year 2021, as compared to a decrease of \$14 million in fiscal year 2020. In fiscal year 2021, the increase in net position occurred within unrestricted and restricted, offset by net investment in capital assets, which decreased by \$21 million. Unrestricted net position, which is 42.9% of OHSU's total net position, increased by \$387 million in 2021 as compared to a decrease of \$16 million in 2020 which was primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 27.0% of OHSU's total net position, increased by \$128 million in 2021 primarily driven by programmatic spending on research and academic programs.

When evaluating OHSU's net position, it is important to note that OHSU's Marquam Hill property is leased from the State for renewable 99-year periods, at a lease payment equal to the debt service on bonds outstanding at

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the time of OHSU's separation from the Oregon University System. As that debt service is relatively low, the capitalized net present value of those lease payments is significantly less than the fair value of the included land and buildings.

OHSU Missions

OHSU's strategic plan, called OHSU 2025, is built around the OHSU's vision: "OHSU will partner to make Oregon a national leader in health and science innovation for the purpose of improving the health and well-being of all Oregonians and beyond."

Six goals – timeless aspirations – form the basis of the plan:

1. Building a diverse, equitable environment where all can thrive and excel.
2. Being the destination for transformational learning.
3. Enhancing health and healthcare in every community.
4. Discovering and innovating to advance science and optimize health worldwide.
5. Partnering with communities for a better world.
6. Ensuring a sustainable foundational infrastructure.

The plan was developed through a crowdsourcing process to tap into OHSU member aspirations and develop a shared future vision.

These goals span OHSU's missions, supported by objectives that are focused on identifying new ways to understand disease, treat illness and train the next generation of scientists and health professionals. They begin with our commitment to listen to what communities — across Oregon and around the world — need from OHSU, and end with our commitment to the people who will respond to those needs and make this work a reality.

With 42 objectives and hundreds of tactics, OHSU 2025 reflects not only the breadth and complexity of the state's only academic health center, but also the challenges in health and science that OHSU must address. OHSU's scale and scope, our profound connection to Oregonians, and our decades of experience at the leading edge of innovation have already laid the foundation for this plan's success.

The following sections highlight achievements for each of our missions.

OHSU Education

A foundation of OHSU's mission is the education and training of dentists, nurses, physicians, physician assistants, other health professionals, biomedical scientists, and engineers, through a broad range of undergraduate and graduate programs that provide healthcare and biomedical workforce for Oregon and beyond. Educational programs are conducted on the OHSU campus in Portland, online, and at various locations throughout the State. Collaborative programs enable OHSU to offer a joint Doctor of Pharmacy

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degree through an affiliation with Oregon State University (OSU) as well as a joint Ph.D. degree and a joint Master of Science degree in Medical Physics. In partnership with Oregon Institute of Technology (OIT), OHSU offers a joint B.S. degree in Medical Laboratory Science, a joint B.S. degree in Emergency Medical Services Management and a joint Associate of Applied Science degree in Emergency Medical Technology–Paramedic. OHSU also offers a joint Master of Business Administration in Health Care Management with Portland State University (PSU) and has also established a joint School of Public Health with PSU comprising several undergraduate and graduate programs including Bachelor degrees, Graduate Certificates, Master of Science, Master of Public Health, and Ph.D. programs.

As of the fall 2020 term, OHSU had 3,035 students enrolled in its various programs (excluding students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU). The following table sets forth the number of students enrolled in OHSU’s programs for each of the past three academic years.

**Fall Headcount Enrollment ^(a)
For Programs in the Years Indicated**

	<u>2020/2021</u>	<u>2019/2020</u>	<u>2018/2019</u>
School of Dentistry:			
Graduate	\$ 27	26	27
Professional	291	297	296
Subtotal	<u>318</u>	<u>323</u>	<u>323</u>
School of Medicine:			
Undergraduate	17	17	18
Graduate	753	780	812
Professional	617	630	603
Subtotal	<u>1,387</u>	<u>1,427</u>	<u>1,433</u>
School of Nursing:			
Undergraduate	792	759	764
Graduate	87	177	222
Professional	189	100	44
Subtotal	<u>1,068</u>	<u>1,036</u>	<u>1,030</u>
School of Public Health:			
Graduate	262	231	213
Total	<u>\$ 3,035</u>	<u>3,017</u>	<u>2,999</u>

(a) This table excludes interns, residents, and trainees. This table also excludes students enrolled in the joint Pharm.D. degree program with OSU, the joint undergraduate programs with OIT and the School of Public Health joint degree students registered by PSU.

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OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology in many fields of research, including: reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. OHSU research projects received 72% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 11%. OHSU was ranked 29th out of the 2,416 entities that received funding from the NIH. Faculty members include five members of the National Academy of Sciences and nine members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

OHSU's many institutes are nationally and internationally recognized, including the Knight Cancer Institute, the only National Cancer Institute designated Comprehensive Cancer Center in Oregon; the Vollum Institute, privately endowed and dedicated to basic science research that has led to new treatments for neurological and psychiatric diseases; and the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe. OHSU's West Campus is home to the Vaccine and Gene Therapy Institute, which focuses on serious viral disease threats and programs intended to span the continuum between basic and clinical science, where discoveries are rapidly advanced from the level of molecular and cellular biology through animal models and ultimately into clinical testing, and the Oregon National Primate Research Center, one of the seven National Primate Research Centers supported by the National Institutes of Health. Their world-class translational research programs focus on current, developing, and projected high-priority human medical needs that are projected to increase in importance over the coming decades.

OHSU actively pursues private and public partnerships on important and innovative research projects to supplement federal funding, with corporate partners such as Thermo Fisher Scientific's Analytical Instrumentals Segment, a leading electronic microscopy company, and other major information technology and life sciences companies, and with academic partners such as PSU, OSU, University of Oregon, Pacific Northwest National Laboratory, and Lawrence Berkeley National Laboratory.

Although the COVID-19 pandemic disrupted science at OHSU, the institution continued to strive in many areas and accomplished many extraordinary things. Despite the many challenges, OHSU had another record year; receiving nearly \$586 million in externally sponsored awards for fiscal year 2021.

In June 2021, OHSU was the first institution in the Pacific Northwest to install a new type of scanner that will advance both patient care and clinical research. The 3-Tesla magnet for the GE Signa Positron Emission Tomography/Magnetic Resonance Imaging scanner will be delivered and installed in the Lamfrom Biomedical Research Building on OHSU's Marquam Hill campus. The \$11.7 million project includes the cost of the scanner and renovations needed to accommodate it in the building. The device will be especially useful for organs and diseases that are better imaged with MRI rather than a different type of scanner called PET CT, for computed tomography. These include neurological conditions such as epilepsy and brain tumors, head and neck cancers, heart conditions such as cardiac sarcoidosis and myocarditis, in addition to different types of cancer such as prostate cancer, rectal cancer and cervical cancer.

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In May 2021, Scientists have for the first time revealed the structure surrounding important receptors in the brain's hippocampus, the seat of memory and learning. The study, carried out at OHSU, published in the journal *Nature*. Working with a mouse model, the OHSU researchers made the breakthrough by developing monoclonal antibodies to isolate the receptor and the complex of subunits surrounding it. They then imaged the entire collection using state-of-the-art cryo-electron microscopy at the Pacific Northwest Cryo-EM Center, housed in OHSU's South Waterfront campus in Portland. The findings may be immediately useful in drug development for conditions such as epilepsy.

About two decades after first devising a new kind of vaccine, OHSU researchers are unlocking why it stops and ultimately clears the monkey form of HIV, called SIV, in about half of nonhuman primates – and why it's a promising candidate to stop HIV in people. In scientific papers that were simultaneously published in the journals *Science* and *Science Immunology* during 2021, creators of the cytomegalovirus, or CMV, vaccine platform describe the unusual biological mechanisms through which it works. The findings also helped fine-tune VIR-1111, the CMV-based experimental vaccine against HIV that was developed at OHSU and is now being evaluated in a Phase 1 clinical trial. The trial is being conducted by Vir Biotechnology, which licensed the CMV vaccine platform technology from OHSU.

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OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary and quaternary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2021, the OHSU Hospital represented 8.2% of the available beds and 11.1% of the filled beds for the entire State. The OHSU Hospital had an 80% occupancy rate for available beds in 2021, compared to the Oregon statewide average of 59% according to the Oregon Association of Hospitals and Health Systems' Oregon DataBank. As an academic health center, OHSU's professional staff is composed primarily of the faculty of OHSU's School of Medicine. The OHSU Practice Plan (OPP) is the largest organized clinical practice in Oregon. As of June 30, 2021, there were over 1,713 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

OHSU Patient Activity	Fiscal year ending June 30			Variance	
	2021	2020	2019	2021 v 2020	2020 v 2019
Inpatient admissions	25,612	27,055	29,174	(5.3)%	(7.3)%
Average length of stay	6.66	6.32	6.12	5.4	3.3
Average daily census	448	453	476	(1.1)	(4.8)
Day/observation patients	41,327	38,643	42,320	6.9 %	(8.7)%
Emergency visits	41,997	44,965	47,856	(6.6)	(6.0)
Ambulatory visits	1,103,642	978,492	987,024	12.8	(0.9)
Surgical cases	33,124	32,672	37,080	1.4	(11.9)
Casemix index	2.49	2.43	2.26	2.5 %	7.5 %
Outpatient share of activity	55.4 %	53.6 %	52.3 %	3.4	2.5
CMI/OP adjusted admissions	142,945	141,644	137,995	0.9	2.6

In addition to its tertiary care focus in Portland, OHSU is working with other healthcare providers noted below to leverage expertise and resources throughout Oregon.

Adventist Health. Adventist Health Portland and OHSU finalized an agreement to integrate their clinical activities and services in the Portland metropolitan area through an affiliation effective January 1, 2018. This agreement makes OHSU and Adventist Health Portland part of the same Portland metropolitan health system, bringing together Adventist's healthcare enterprise that includes a 302-licensed bed medical center, 25 medical clinics and home care and hospice services in the Portland-Vancouver metro area. Under this affiliation, OHSU and Adventist Health will share a bottom line and operate as a unified system. The agreement does not include OHSU's research and education missions. The other twenty Adventist Health hospitals in the western United States are also excluded from the agreement. Each organization will retain its existing hospital licenses, capital assets, and employees. Each entity will continue to maintain its own mission and culture but together will seek to transform access and the delivery of health to Oregonians through a unified clinical enterprise and shared brand experience.

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Tuality Healthcare. On February 1, 2016, OHSU affiliated with Tuality through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets and continue to be the licensed operators of their own facilities. Under the Tuality Agreement, OHSU agrees to be responsible for Tuality's operating income and loss, including making cash payments to Tuality in an amount equal to any Tuality operating loss, in the manner specified in the Tuality Agreement. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU. In November 2019, Tuality adopted a new public-facing name, Hillsboro Medical Center.

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 18,000-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU Foundation

OHSU has one designated independent nonprofit foundation – the Oregon Health and Science University Foundation (OHSU Foundation, the Foundation). The Foundation exists to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. The Foundation is a component unit of OHSU for financial reporting purposes, but is not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. The Foundation has a self-perpetuating board trustees, on which the OHSU president sits as an ex officio voting member.

Doernbecher Children's Hospital Foundation, 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 OHSU Foundation. OHSU Foundation continued as the surviving corporation following the merger. OHSU Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

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As OHSU's designated foundation, all development activities conducted by the Foundation must be coordinated with OHSU. In accepting gifts, the Foundation must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if the Foundation was dissolved or if the OHSU president were to revoke recognition of the Foundation as an OHSU-designated foundation, the assets of such foundation would, within the limits of legal and fiduciary rights, be distributed to OHSU, its successor in interest, or to another entity recognized by OHSU as an institution foundation. These interrelated functions and requirements have been further confirmed and implemented in the articles and bylaws of the Foundation. The table below identifies major gifts, which are reported as required under the Council for Advancement and Support of Education (CASE) Reporting Standards and Management Guidelines, which may differ from recognition rules under governmental accounting standards.

Amount	OHSU major gifts description	Fiscal year
\$14.2 million	HIV and TB vaccine using CMV platform grant	2020–21
\$10 million	OHSU-UO Center for Biomedical Data Science gift	2019–20
\$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
\$14.7 million	SMMART Trials grant	2017–18
\$15 million	Center for Pancreatic Health gift	2016–17
\$15 million	Casey Eye Institute gift	2015–16
\$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
\$500 million	Knight Cancer Institute gift	2014–15
\$100 million	Knight Cancer Institute gift	2014–15
\$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
\$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
\$25 million	Center for Pancreatic Health gift	2013–14
\$10 million	Knight Cancer Institute gift	2013–14
\$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
\$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
\$10 million	New School of Dentistry gift	2010–11
\$100 million	Knight Cancer Institute gift	2008–09

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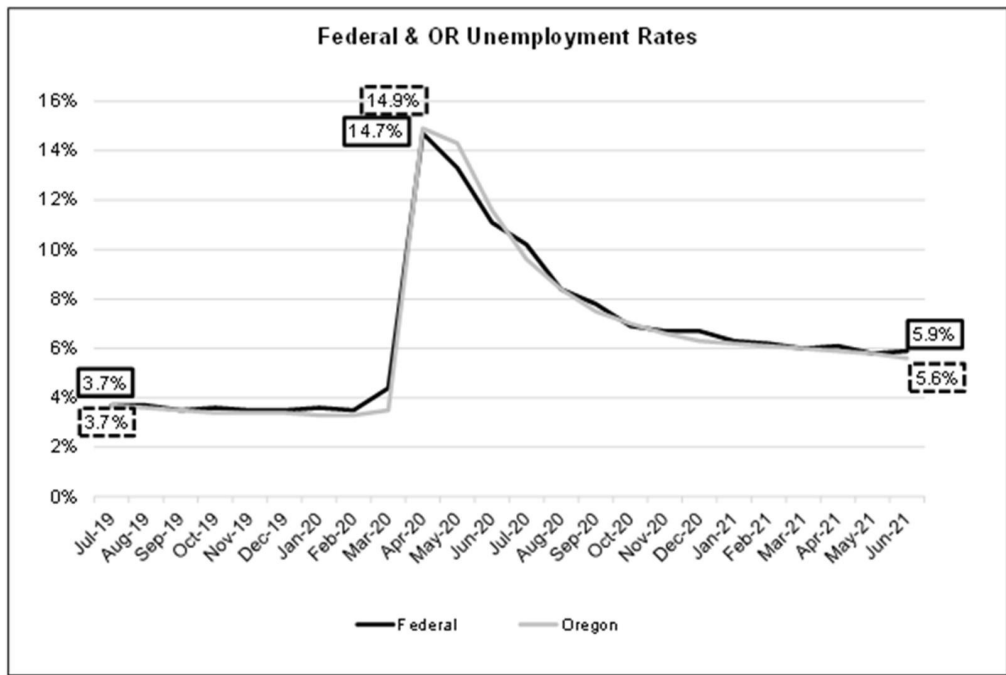
Management Discussion and Analysis

June 30, 2021 and 2020

(Dollars in thousands)

Economic Outlook

Fiscal year 2021 saw continued capital market and economic volatility as the global economy continued to be impacted by COVID-19. During fiscal year 2021, the U.S. economy began exhibiting signs of more substantive recovery as reflected in the improving labor market, as well as most recent strong year over year real gross domestic product (GDP) growth rate of 12.2% according to the U.S. Bureau of Economic Analysis. The below chart illustrates the federal and Oregon state unemployment levels over the previous two fiscal years for fuller context.



Source: Bureau of Labor Statistics

Post fiscal year-end 2021, the federal and Oregon employment picture continued to be strong with Oregon posting a preliminary unemployment rate figure of 5.6%, while the federal level stood at 5.9%. There is still substantial uncertainty of the impact the Delta variant will have on the Oregon, U.S. and world economies moving into fall and winter.

In financial markets, fiscal year 2021 saw the continued rally from the March 2020 lows in risk assets as COVID-19 concerns gave way to more optimistic economic and corporate profitability outlooks. On the fixed income side, coincident with more optimistic growth projections, the markets saw rates increase during the fiscal year on higher expectations related to both growth and inflation. Towards the end of fiscal year 2021 and into the beginning of fiscal year 2022, market focus has shifted to the timing and pace of modifications to the Federal Reserve’s asset purchase program and expected Fed Funds Rate path. Additionally, with respect to

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fiscal policy, markets are awaiting the outcome of the Biden administration's proposed \$1 billion and \$3.5 billion infrastructure bills, as well as the fiscal year 2022 budget resolution. The healthcare regulatory environment also continues to exhibit substantial policy uncertainty as federal and state regulators attempt to mitigate COVID-19 impacts. The passage of the CARES Act in March 2020 provided major financial support to the healthcare industry and OHSU. The prospect of further federal aid is uncertain. As a consequence, the University is preparing for a range of possible outcomes.

Although many specific investments in the OHSU 2025 strategic plan have been paused due to the pandemic, the University continues to be guided by its "people first" approach to deliver breakthroughs for better health. This includes responding to COVID-19 by tightening first to loosen later, reducing salaries to avoid widespread layoffs where possible, and acting as one University even though different missions and units are impacted to different extents and at different times.

Results over the past several fiscal years show that OHSU's financial position remains strong, with net position increasing 32% from \$3.1 billion at July 1, 2017 to \$4.1 billion for the year ending June 30, 2021. OHSU's financial strength is further recognized by its credit ratings, Aa3 / AA- / AA- confirmed by Moody's, S&P, in early 2021, and by Fitch, in late 2020, respectively. The University's financial planning and budget process is designed to support ongoing investment in faculty and staff, programs, technology and facilities consistent with a nationally ranked health sciences university. On this path, OHSU has received unwavering public and philanthropic support.

OREGON HEALTH & SCIENCE UNIVERSITY
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Statements of Net Position

As of June 30, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 435,574	422,742
Short-term investments	104,421	253,989
Current portion of funds held by trustee	36,759	38,062
Patients accounts receivable, net of bad debt allowances of \$2,518 and \$1,528 – in 2021 and 2020	459,884	390,926
Student receivables	27,025	28,644
Grant and contract receivable	62,900	61,970
Current portion of pledges and estates receivable, net	121,502	85,605
Other receivables, net	54,235	46,087
Inventories, at cost	58,290	49,223
Prepaid expenses	40,769	32,767
	<u>1,401,359</u>	<u>1,410,015</u>
Noncurrent assets:		
Capital assets, net of accumulated depreciation	2,055,987	2,103,591
Funds held by trustee – less current portion	10,182	13,252
Other long-term receivables, net of reserves	33,500	33,500
Long-term investments:		
Long-term investments, restricted	846,679	652,633
Long-term investments, unrestricted	1,746,773	1,214,736
	<u>2,593,452</u>	<u>1,867,369</u>
Prepaid financing costs, net	1,484	1,705
Pledges and Estates Receivable, net – Less Current Portion	248,218	306,862
Restricted postemployment benefit asset	4,328	6,200
Other noncurrent assets	3,460	2,577
Interest in the foundations	—	—
	<u>4,950,611</u>	<u>4,335,056</u>
Total noncurrent assets	<u>4,950,611</u>	<u>4,335,056</u>
Total assets	<u>6,351,970</u>	<u>5,745,071</u>
Deferred outflows:		
Deferred amortization of derivative instruments	6,091	7,342
Loss on refunding of debt	27,794	30,197
Pension obligation	189,745	160,050
Goodwill	348	435
Other Postemployment Benefits (OPEB) obligation	10,035	8,961
	<u>234,013</u>	<u>206,985</u>
Total deferred outflows	<u>234,013</u>	<u>206,985</u>
Total assets and deferred outflows	<u>\$ 6,585,983</u>	<u>5,952,056</u>

OREGON HEALTH & SCIENCE UNIVERSITY
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Statements of Net Position

As of June 30, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Liabilities:		
Current liabilities:		
Current portion of long-term debt	\$ 22,848	22,476
Current portion of long-term capital leases	1,234	943
Current portion of self-funded insurance programs liability	40,868	33,935
Accounts payable and accrued expenses	171,743	154,540
Accrued salaries, wages, and benefits	119,248	106,188
Compensated absences payable	76,432	68,996
Unearned revenue	81,831	74,543
Unearned/Medicare Advance Payment	118,420	145,975
Other current liabilities	2,274	4,460
Total current liabilities	<u>634,898</u>	<u>612,056</u>
Noncurrent liabilities:		
Long-term debt – less current portion	944,908	972,932
Long-term capital leases – less current portion	968	1,044
Liability for self-funded insurance programs – less current portion	46,639	39,861
Liability for life income agreements	23,492	20,741
Net pension liability	595,311	503,720
Other noncurrent liabilities	88,133	55,098
Total noncurrent liabilities	<u>1,699,451</u>	<u>1,593,396</u>
Total liabilities	<u>2,334,349</u>	<u>2,205,452</u>
Deferred inflows:		
Deferred amortization of derivative instruments	—	—
Gain on refunding of debt	1,291	1,546
Life income agreements	39,087	33,269
Pending Funds	65,455	48,135
Pension obligation	46,214	56,018
Other Postemployment Benefits (OPEB) amounts	1,519	2,294
Total deferred inflows	<u>153,566</u>	<u>141,262</u>
Net position:		
Investments in capital assets	1,232,802	1,254,205
Restricted, expendable	801,921	683,114
Restricted, nonexpendable	304,696	295,926
Unrestricted	1,758,649	1,372,097
Total net position	<u>4,098,068</u>	<u>3,605,342</u>
Total liabilities, deferred inflows, and net position	<u>\$ 6,585,983</u>	<u>5,952,056</u>

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	<u>2020</u>	<u>2020</u>
Operating revenues:		
Patient service revenue, net of bad debt adjustments of \$6,310 and \$12,112 – in 2021 and 2020, respectively	\$ 2,595,048	2,375,275
Student tuition and fees, net	82,770	77,305
Gifts, grants, and contracts	703,065	664,646
Other	<u>225,391</u>	<u>195,895</u>
Total operating revenues	<u>3,606,274</u>	<u>3,313,121</u>
Operating expenses:		
Salaries, wages, and benefits	2,166,014	2,041,677
Defined benefit pension	113,695	109,907
Services, supplies, and other	1,194,777	1,134,614
Depreciation and amortization	178,972	176,700
Interest	<u>32,990</u>	<u>36,656</u>
Total operating expenses	<u>3,686,448</u>	<u>3,499,554</u>
Operating (loss)	<u>(80,174)</u>	<u>(186,433)</u>
Nonoperating revenues, incl. state appropriations:		
Investment income and gain on fair value of investments	439,799	82,878
State appropriations	44,243	39,581
CARES Act grants	72,593	37,859
Other	<u>4,133</u>	<u>(12,535)</u>
Total nonoperating revenues (expenses), net	<u>560,768</u>	<u>147,783</u>
Net income (loss) before contributions for capital and other	<u>480,594</u>	<u>(38,650)</u>
Other changes in net position:		
Contributions for capital and other	783	3,361
Nonexpendable donations	<u>11,349</u>	<u>21,432</u>
Total other changes in net position	<u>12,132</u>	<u>24,793</u>
Total increase (decrease) in net position	492,726	(13,857)
Net position – beginning of year	<u>3,605,342</u>	<u>3,619,199</u>
Net position – end of year	<u>\$ 4,098,068</u>	<u>3,605,342</u>

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	2021	2020
Cash flows from operating activities:		
Receipts for patient services	\$ 2,523,904	2,373,521
Receipts from students	84,389	74,845
Receipts of gifts, grants, and contracts	780,530	671,361
Other receipts	193,344	331,142
Payments to employees for services	(2,193,410)	(2,091,099)
Payments to suppliers	(1,194,643)	(1,156,398)
	<u>194,114</u>	<u>203,372</u>
Net cash provided by operating activities		
Cash flows from noncapital financing activities:		
Federal direct loan proceeds	75,344	72,396
Federal direct loan disbursements	(75,724)	(61,081)
State appropriations	44,243	39,581
CARES Act grants	72,593	37,859
Nonexpendable donations and life income agreements	(2,627)	(5,732)
	<u>113,829</u>	<u>83,023</u>
Net cash provided by noncapital financing activities		
Cash flows from capital and related financing activities:		
Scheduled principal payments on long-term debt	(12,536)	(14,836)
Interest payments on long-term debt	(49,061)	(50,057)
Proceeds from issuance of long-term debt	928	355,558
Repayment on debt	(7)	(305,480)
Acquisition of capital assets	(131,368)	(207,295)
Proceeds from sale of capital assets	(193)	(419)
Net capital lease activity	215	(3,838)
Contributions for capital and other	783	3,361
	<u>(191,239)</u>	<u>(223,006)</u>
Net cash used in capital and related financing activities		
Cash flows from investing activities:		
Purchases of investments	(1,215,753)	(3,355,739)
Proceeds from sales and maturities of investments	1,079,180	3,573,115
Interest on investments and cash balances	32,701	54,962
	<u>(103,872)</u>	<u>272,338</u>
Net cash provided (used) by investing activities		
Net increase in cash and cash equivalents	12,832	335,727
Cash and cash equivalents, beginning of year	<u>422,742</u>	<u>87,015</u>
Cash and cash equivalents, end of year	<u>\$ 435,574</u>	<u>422,742</u>

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	2021	2020
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating (loss)	\$ (80,174)	(186,433)
Adjustments to reconcile operating (loss) net cash provided by operating activities:		
Depreciation and amortization	178,972	176,700
Provision for bad debts	6,310	12,112
Interest expense reported as operating expense	32,990	36,656
Noncash contribution	(10,169)	(9,363)
Defined-benefit pension	52,092	48,521
Net changes in assets and liabilities:		
Patient accounts receivable	(75,268)	(12,789)
Student receivables	1,619	(2,460)
Grant and contracts receivable	(550)	(10,735)
Pledges and estates receivable	22,747	33,025
Other receivables, assets, and deferred outflows	(4,492)	(10,728)
Inventories	(9,067)	(4,802)
Prepaid expenses	(8,002)	(2,829)
Accounts payable and accrued expenses	17,203	(14,153)
Accrued salaries, wages, and benefits	13,060	4,413
Compensated absences payable	7,436	6,658
Other current liabilities	(2,186)	(1,077)
Liability for life income agreements	2,751	(2,494)
Unearned revenue	7,288	13,978
Medicare Advance Payment	(27,555)	145,975
Liability for self-funded insurance programs	13,711	893
Other noncurrent liabilities and deferred inflows	55,398	(17,696)
Net cash provided by operating activities	\$ 194,114	203,372
Supplemental schedule of noncash capital and related financing and investing activities:		
Unrealized change in fair value of investments	\$ 38,537	9,529
Loss on disposal capital assets	(193)	(419)

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheets

As of June 30, 2021 and 2020

(Dollars in thousands)

Assets	2021	2020
Current assets:		
Cash and cash equivalents	\$ 38,819	6,148
Short-term investments	3,734	911
Patient accounts receivable, net of allowance for uncollectible accounts of \$1,405,178 as of June 30, 2020	38,936	29,341
Due from related party	—	20,950
Other receivables	18,158	3,484
Supplies inventory	4,903	3,842
Prepaid expenses and other	2,442	2,153
Current portion of assets whose use is limited	1,010	992
Total current assets	<u>108,002</u>	<u>67,821</u>
Assets whose use is limited:		
Board-designated funds	41,246	34,706
Under bond indenture agreement – held by Trustee	1	1
Donor-restricted – specific purpose	6,888	4,049
Donor-restricted – endowment	2,761	2,812
Required for current liabilities	(1,010)	(991)
Total assets whose use is limited	<u>49,886</u>	<u>40,577</u>
Property and equipment:		
Property and equipment, net of accumulated depreciation and amortization	62,752	62,332
Other assets:		
Other receivables – noncurrent	1,307	1,379
Investments in unconsolidated affiliates	1,104	1,521
Deferred compensation plan	2,814	2,358
Cash value of life insurance	727	565
Deferred costs and other	230	230
Intangible assets	1,550	1,610
Goodwill	319	319
Total other assets	<u>8,051</u>	<u>7,982</u>
Total assets	<u>\$ 228,691</u>	<u>178,712</u>

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Balance Sheets

As of June 30, 2021 and 2020

(Dollars in thousands)

Liabilities and Net Assets	2021	2020
Current liabilities:		
Accounts payable	\$ 44,532	14,762
Accrued payroll and employee benefits	13,476	12,864
Due to related party	2,316	—
Deferred revenue	13,107	16,590
Estimated liabilities for Medicare and Medicaid settlements	423	450
Long-term debt due within one year	1,052	1,021
Accrued bond interest payable	86	92
Total current liabilities	<u>74,992</u>	<u>45,779</u>
Long-term liabilities:		
Long-term debt, net of amount due within one year	11,034	12,073
Liability for pension benefits	42,224	66,444
Other long-term liabilities	26,093	23,885
Total long-term liabilities	<u>79,351</u>	<u>102,402</u>
Total liabilities	<u>154,343</u>	<u>148,181</u>
Net assets:		
Net assets without donor restrictions	64,594	23,265
Net assets with donor restrictions	9,754	7,266
Total net assets	<u>74,348</u>	<u>30,531</u>
Total liabilities and net assets	<u>\$ 228,691</u>	<u>178,712</u>

See accompanying notes to financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Operations

For the years ended June 30, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Net patient service revenue:		
Patient service revenue (net of contractual allowances and discounts) ¹		\$ 199,410
Provision for bad debts		<u>(5,266)</u>
Total net patient service revenue	\$ <u>226,775</u>	<u>194,144</u>
Other revenue:		
OHSU support	746	25,321
Other revenue	<u>202,931</u>	<u>11,793</u>
Total other revenue	<u>203,677</u>	<u>37,114</u>
Total revenue	<u>430,452</u>	<u>231,258</u>
Operating expenses:		
Salaries and wages	91,704	88,626
Employee benefits	23,271	25,264
Supplies and other expenses	262,590	81,625
Professional fees	31,947	26,803
Depreciation and amortization	8,291	8,498
Interest	<u>718</u>	<u>782</u>
Total operating expenses	<u>418,521</u>	<u>231,598</u>
Income (loss) from operations	<u>11,931</u>	<u>(340)</u>
Other non-operating income:		
Realized income on investments whose use is limited by board designation	222	1,060
Gain on investments in affiliated companies	2,303	3,242
Gain/(loss) on disposal of property and equipment	18	(35)
Change in net unrealized gains (losses) on investments	6,133	(317)
Other operating revenue	<u>(600)</u>	<u>302</u>
Total other income	<u>8,076</u>	<u>4,252</u>
Excess of revenue over expenses	20,007	3,912
Contributions for property and equipment acquisition	506	909
Pension-related changes	<u>20,815</u>	<u>(20,099)</u>
Increase (decrease) in net assets without donor restrictions	\$ <u><u>41,328</u></u>	<u><u>(15,278)</u></u>

¹ 2021 presentation reflect adoption of ASC 606, Revenue from Contracts with Customers

See accompanying notes to combined financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Combined Statements of Changes in Net Assets

For the years ended June 30, 2021 and 2020

(Dollars in thousands)

	<u>2021</u>	<u>2020</u>
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 20,007	3,912
Contributions for property and equipment acquisition	506	909
Pension-related changes	<u>20,815</u>	<u>(20,099)</u>
Increase (decrease) in net assets without donor restrictions	<u>41,328</u>	<u>(15,278)</u>
Net assets with donor restrictions:		
Gifts, grants, and bequests	2,233	1,809
Investment (loss) income	1,793	(190)
Net assets released from restrictions	(1,539)	(2,112)
Contributions for endowment funds	<u>2</u>	<u>2</u>
Increase (decrease) in net assets with donor restrictions	<u>2,489</u>	<u>(491)</u>
Change in net assets	43,817	(15,769)
Net assets, beginning of year	<u>30,531</u>	<u>46,300</u>
Net assets, end of year	<u>\$ 74,348</u>	<u>30,531</u>

See accompanying notes to combined financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

(1) Organization and Summary of Significant Accounting Policies**(a) Organization**

As the only health sciences university and major academic health center in the state of Oregon (the State), Oregon Health & Science University (OHSU or the University) is dedicated to the education and training of healthcare professionals, research, patient care, outreach, and public service. In addition to the School of Medicine, School of Nursing, School of Dentistry, the joint College of Pharmacy with Oregon State University, and the joint School of Public Health with Portland State University, OHSU comprises several other academic and research units, including the Vollum Institute, the Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, OHSU Brain Institute, Oregon Institute of Occupational Health Science, Oregon Clinical and Translational Research Institute, and the Pacific Northwest Center for Cryo-EM. OHSU also comprises several clinical units, including OHSU Hospital (the Hospital), the OHSU Practice Plan (OPP), and the Institute on Development and Disability (IDD). Doernbecher Children's Hospital is a unit of the Hospital serving pediatric patients. The Knight Cancer Institute is the only National Cancer Institute designated cancer center in the State, and the Knight Cardiovascular Institute provides the State's most comprehensive clinical and research heart program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

Pursuant to an act of the Oregon Legislature (the Act), on July 1, 1995, OHSU was restructured from one of seven component units of the Oregon University System (OUS) to an independent public corporation. OHSU remains a component unit of the State.

The majority of the real property that constitutes OHSU's main campus on Marquam Hill (and certain off-campus properties) in Portland is owned by the State. Pursuant to the Act, the State retained title of such real property and OHSU was granted exclusive care, custody, and control of such real property. To evidence this condition, the State and OHSU entered into a 99-year lease, dated July 1, 1995 (the State Lease), under which the State leased to OHSU all of the State's leasable interest in such real property. Under the terms of the State Lease, the State may terminate the State Lease if, prior to such termination, the State causes the defeasance or discharge of all then-outstanding obligations of OHSU that were issued to finance improvements on the property subject to the State Lease or to refinance obligations of OHSU to the State. Under the State Lease, improvements include completed and partially completed buildings, fixtures, structures, and other improvements constructed on the property subject to the State Lease. In addition, OHSU was granted ownership of all personal property of the University, as it existed prior to the enactment of the Act.

Oregon Health & Science University Foundation is a separately incorporated nonprofit Foundation affiliated with OHSU. The primary purpose of the Foundation is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Doernbecher Children's Hospital Foundation, an Oregon nonprofit corporation, merged on January 1, 2021 with OHSU Foundation. Consequently, the financial position and the changes in financial position of the Foundation is blended in the accompanying financial statements.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

On June 30, 2021, the University Medical Group (UMG), which was previously included as a blended component unit of OHSU, was dissolved.

On February 1, 2016, OHSU affiliated with Tuality Healthcare and subsidiaries (Tuality), doing business as Hillsboro Medical Center, through the execution of a management agreement (the Tuality Agreement) between the organizations. Tuality owns and operates Tuality Community Hospital, a 215-licensed-bed acute care hospital located in Hillsboro, Oregon. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate legal entities, own their own assets, and continue to be the licensed operators of their respective facilities. Tuality is a component unit of OHSU as OHSU approves Tuality's annual operating budget. Since Tuality has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

On January 1, 2020, OHSU partnered with ODS Community Health, Inc. to form OHSU Health IDS, LLC (OHI). OHI is owned 60% by OHSU and 40% by ODS Community Health, Inc. OHI operates as an Integrated Delivery System (IDS) under Health Share of Oregon, a Coordinated Care Organization (CCO) certified by the Oregon Health Authority (OHA) to serve OHP (Medicaid) enrollees in the Portland-metro area. OHI remains a separate legal entity, own their own assets, and maintains its own direct contract with Health Share of Oregon. OHI is a component unit of OHSU as OHSU approves OHI's annual operating budget. Since OHI has a separate board of directors and they do not provide services exclusively to OHSU, they are presented as a discretely presented component unit of OHSU.

(b) Accounting Standards

The accompanying financial statements are prepared in accordance with accounting principles generally accepted in the United States of America using the accrual basis of accounting. OHSU's financial statements and note disclosures are based on all applicable Governmental Accounting Standards Board (GASB) pronouncements and interpretations. OHSU uses proprietary fund accounting.

OHSU prepares and presents its financial information in accordance with GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34), known as the "Reporting Model" statement. GASB 34 established the requirements and reporting model for annual financial statements. GASB 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the reporting entity in the form of "management's discussion and analysis." This reporting model also requires the use of a direct-method cash flow statement.

OHSU has also adopted GASB Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis – for Public Colleges and Universities – an amendment of GASB Statement No. 34*. This statement establishes accounting and financial reporting standards for public colleges and universities within the financial reporting guidelines of GASB 34.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Notes to Financial Statements

June 30, 2021 and 2020

(Dollars in thousands)

(c) Accounting Standards Impacting the Future

On April 15, 2020, the GASB proposed to postpone the effective dates of provisions in almost all Statements and Implementation Guides due to be implemented by state and local governments for fiscal years 2019 and later. In light of the COVID-19 pandemic, *the Exposure Draft, Postponement of the Effective Dates of Certain Authoritative Guidance*, would postpone by one year the effective dates of provisions in the pronouncements noted below. OHSU has elected to postpone the adoption of the noted pronouncements accordingly, and, the date of adoption noted includes the one-year deferral period.

In June 2017, GASB issued Statement No. 87, *Leases* (GASB 87), which is effective for reporting periods beginning after December 15, 2020. The objective of GASB 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. GASB 87 increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as deferred inflows of resources or deferred outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under GASB 87, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The University is currently analyzing the impact of this statement.

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period* (GASB 89), which is effective for reporting periods beginning after December 15, 2020. The objectives of GASB 89 are to (1) enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reported period and (2) simplify accounting for interest cost incurred before the end of a construction period. GASB 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. GASB 89 also reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles. The University is currently analyzing the impact of this statement.

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

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

(d) Financial Reporting Entity

As defined by generally accepted accounting principles, the financial reporting entity consists of OHSU as the primary government and its component units, which are legally separate organizations for which the primary government is financially accountable. Financial accountability is defined as a) appointment of the voting majority of the component units' board, and either (1) the ability to impose will by the primary government or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government, or (b) the component unit is financially dependent on and there is potential for the component unit to provide specific financial benefits to, or impose specific burdens on, the primary government.

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services

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entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation and INSCO are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality and OHI are presented discretely since they have a separate board of directors and they do not provide services exclusively to OHSU. They are both considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

Financial reports for INSCO and OHSU Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality and OHI are, may be obtained by contacting the management of OHSU.

(e) Basis of Accounting

Basis of accounting refers to the timing of when revenues and expenses are recognized in the accounts and reported in the financial statements. OHSU reports as a proprietary fund within the governmental model. OHSU's financial statements have been prepared using the accrual basis of accounting with the economic resources measurement focus. Under this method of accounting, revenue is recognized when earned and expenses are recorded when liabilities are incurred without regard to receipt or disbursement of cash.

(f) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates in OHSU's financial statements include patient accounts receivable allowances, liabilities related to self-insurance programs, the fair value of interest rate swap agreements, and valuation of pension liabilities.

(g) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2021 or 2020.

(h) Investments

Investments are carried at fair value. Fair values are determined based on quoted market prices, where available. Investments in joint ventures are recorded using the equity method of accounting. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by investment managers. OHSU reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. These estimated fair values may differ from the values that would have been used had a ready market for those securities existed.

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Net unrealized gains and losses are included in the net unrealized gain (loss) in fair value of investments in nonoperating revenues in the statements of revenues, expenses, and changes in net position. Interest, dividends, and realized gains and losses on investments are included in nonoperating revenues as investment income when earned.

(i) Inventories

Inventories consist primarily of supplies and pharmaceutical supplies in organized stores at various locations across the campus and in the Hospital. Inventories are recorded using several different methodologies dependent upon the operational use of the supplies and system capabilities. OHSU utilizes standard-cost and average-cost methodologies to record and report inventory value.

(j) Capital Assets

Capital asset acquisitions are stated at cost. Donated items are recorded on the basis of fair market value at the date of donation. OHSU capitalizes equipment additions greater than \$5 and capital projects greater than \$25. Maintenance, repairs, and minor replacements are expensed as incurred. When properties are retired or otherwise disposed of, the related cost and accumulated depreciation are removed from the respective accounts and any gain or loss on disposition is recorded as other in nonoperating revenue.

Interest on borrowed amounts during major construction is capitalized and amortized over the depreciable life of the related asset. During fiscal years 2021 and 2020, OHSU capitalized interest expense of approximately \$2,375 and \$2,377, respectively.

The provision for depreciation is determined by the straight-line method at rates calculated to amortize the cost of assets over the shorter of their estimated useful lives or the related lease term as follows: buildings and other improvements, 10 to 40 years; and equipment, 3 to 20 years.

(k) Net Position Classifications

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

- Net investment in capital assets represents the depreciated value of capital purchases, net of related debt.
- Net position restricted, expendable, carries externally imposed time or purpose restrictions that expire in the future.
- Net position restricted, nonexpendable, carries externally imposed restrictions that never expire.
- Net position unrestricted carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The Foundation first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

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A summary of restricted funds by restriction category for fiscal years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Restricted expendable:		
Research	\$ 488,399	481,238
Academic support	87,327	47,757
Instruction	69,368	37,666
Capital projects and planning	20,360	24,296
Student aid	70,631	51,193
Clinical support	19,877	10,193
Institutional support	5,875	3,537
Defined-benefit OPEB	4,328	6,200
Other	35,756	21,034
	<u>\$ 801,921</u>	<u>683,114</u>
Restricted nonexpendable:		
Research	\$ 42,307	40,865
Instruction	82,527	77,077
Clinical support	—	1,469
Public service	—	4,800
Academic support	101,133	102,700
Student aid	48,485	46,430
Other	30,244	22,585
	<u>\$ 304,696</u>	<u>295,926</u>

(I) 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, 2021 and 2020.

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 enacted by the State in January 2008.

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The endowment fund investment pool (endowment fund) held by the Foundation 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. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundation's board of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. 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, 2021 and 2020, the fair value of investments in the endowment fund was \$884,500 and \$735,500, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2021 and 2020 was \$148,600 and \$48,900, respectively.

There were no endowment accounts with market value below corpus at June 30, 2021. At June 30, 2020, accumulated loss of \$229 related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position.

(m) Federal Income Taxes

OHSU, as a division of the State, is not subject to federal income taxes of the Internal Revenue Code, except for unrelated business income.

(n) State Appropriations

The Oregon State Legislature makes an appropriation to OHSU on a biennial basis. The appropriation is recognized as nonoperating revenues over the related appropriation period as applicable eligibility requirements are met.

(o) Research Activity

Restricted grants receivable represent receivables for grant activities on which OHSU has met all applicable eligibility requirements and on which the funds are available from the granting agency. As of June 30, 2021 and 2020, the grants receivable balance was \$27,086 and \$27,323, respectively, and was included in grant and contract receivables in the accompanying statements of net position. The balance in unearned revenue as of year-end represents amounts advanced for which OHSU has not met all applicable eligibility requirements. As of June 30, 2021 and 2020, the grants unearned revenue balance was \$53,453 and \$42,474, respectively.

(p) Operating Revenues

OHSU includes patient service revenue, student tuition and fees, gifts, grants and contracts, and other income from sales and services in operating revenues. These revenues are key components of the operations of OHSU.

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(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Gross patient charges	\$ 6,249,986	5,640,374
Contractual discounts	(3,648,628)	(3,252,987)
Bad debt adjustments	(6,310)	(12,112)
Net patient service revenues	<u>\$ 2,595,048</u>	<u>2,375,275</u>

OHSU has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, outpatient case rates, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts due and determined to be collectible from patients, third-party payors, and others for services rendered and includes estimates for potential retroactive revenue adjustments under reimbursement agreements with third-party payors. Such estimates are adjusted in future periods as final settlements are determined.

A significant portion of OHSU's services are provided to Medicare, Medicaid, and Oregon Health Plan (OHP) patients under contractual arrangements. Inpatient acute care services rendered by OHSU to Medicare, Medicaid, and OHP program beneficiaries are generally reimbursed at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors (i.e., Medicare severity diagnosis related groups or MS DRGs). Such payments include a capital cost component and may be greater or less than the actual charges for services. Most outpatient services related to Medicare beneficiaries are reimbursed prospectively under the ambulatory payment classifications methodology. Home health services related to Medicare beneficiaries are reimbursed under a prospective payment system methodology. OHSU is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after audits of OHSU's annual cost reports by the Medicare fiscal intermediary and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU's losses from the Medicaid program and enables support for OHSU's research and education missions. In fiscal years 2021 and 2020, the program generated \$144,250 and \$129,500, respectively, for research and education.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2021 and 2020, OHSU received third-party settlements of \$(140) and \$2,598, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

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OHSU has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations to provide medical services to subscribing participants. The basis for payment to OHSU under these agreements includes prospectively determined rates per discharge, discounts from established charges, prospectively determined fee schedules, and certain capitated per member per month payment arrangements.

Significant concentrations of gross patient accounts receivable as of June 30, 2021 and 2020 were approximately as follows:

	<u>2021</u>	<u>2020</u>
Medicare and Medicare managed care contracts	22 %	23 %
Medicaid and OHP	20	19
Commercial and managed care insurance	55	56
Nonsponsored	3	2
	<u>100 %</u>	<u>100 %</u>

(r) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2021 and 2020 is as follows. In fiscal year 2020, in response to the COVID-19 pandemic, spring term academic programs were offered remotely using digital delivery methods. During this time student rotations and similar experiences were suspended, resulting in student tuition refunds of \$2,424 for affected programs.

	<u>2021</u>	<u>2020</u>
Gross student tuition	\$ 97,569	92,129
Tuition discounts	<u>(14,799)</u>	<u>(14,824)</u>
Student tuition and fees revenues, net	<u>\$ 82,770</u>	<u>77,305</u>

(s) Charity Care

OHSU provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its published rates. Because OHSU does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was \$83,729 and \$78,097 in 2021 and 2020, respectively.

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(t) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues when all eligibility criteria are met in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(u) Life Income Agreements

The Foundation has been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundation. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundation has investments with a fair value of \$62,500 and \$54,100 as at June 30, 2021 and 2020, respectively, related to its individually managed life income agreements.

(v) Moda Note Receivable

OHSU has contracts with, and receives patient revenues from the major health plans in Oregon. OHSU's guiding principle in developing payor provider partnerships is to ensure that Oregonians continue to have access to Oregon's public health sciences university and academic health center and its affiliates and that OHSU has access to major populations of Oregon across its missions of patient care, education, research, and outreach.

Since 2013, OHSU has partnered with Moda Health Plan, Inc. (Moda) to advance population health management. In December 2014, OHSU invested \$50,000 in Moda through a 10-year surplus note to help capitalize Moda's Oregon healthcare efforts. The principal balance of this note shall become due and payable in full on December 15, 2024, and the note bears interest on its unpaid principal balance at a rate equal to 4% per annum. Payment of interest and principal is subject to approval by the Oregon insurance commissioner, which is part of the Department of Consumer and Business Services (DCBS).

Moda had a large share of Oregon's individual insurance market during the initial years of the Affordable Care Act and has significant receivables due from the federal government under the risk corridor program that was designed to encourage plans to offer individual coverage. At that time, it was uncertain if, or when, the federal government would pay these amounts. In light of uncertain payment of federal risk corridor receivables, higher risk from losses at Moda, and the likelihood that interest payments will be deferred, OHSU recorded a valuation reserve of \$16,500 against the surplus note receivable as of June 30, 2015. In April 2020, the U.S. Supreme Court ruled in favor of Moda Health Plan and other insurers that had sued the federal government for backing out of support under the Affordable Care Act. The justices reversed a lower court's ruling that Congress had suspended the government's obligation to make such payments under the Affordable Care Act.

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In February 2016, DCBS issued a consent order requiring Moda to sell a variety of assets and take steps to improve its financial position. In June 2017, as a result of Moda completing several transactions to generate the capital needed to meet regulatory standards, together with Moda reducing its risk by withdrawing from some markets, DCBS lifted the consent order. In February 2019, Delta Dental of California and Moda announced the completion of a \$152,400 investment by Delta Dental of California for a 49.5% ownership interest in Moda. The California Department of Managed Health Care (DMHC) and Oregon's DCBS have approved the investment. As a result of the improved financial position of Moda, the Oregon insurance commissioner allowed payment of accrued interest to OHSU of \$2,000 in fiscal year 2021.

OHSU reviewed the valuation of the note receivable as of June 30, 2021 and 2020 and has retained the current net valuation of \$33,500, which represents 0.8% and 0.9% of the University's total net position as of June 30, 2021 and June 30, 2020, respectively.

(2) Cash and Investments

OHSU holds substantially all of its cash, cash equivalents, and investment balances at financial institutions. OHSU's cash is insured by the Federal Deposit Insurance Corporation subject to standard limits. Additionally, a portion of cash and cash equivalents are collateralized deposits as required under the Oregon Revised Statutes (ORS).

OHSU's investment policies are approved by the board of directors and are accounted for as prescribed by GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Changes in the fair value of investments are included in nonoperating revenues. The composition of investments at fair value at June 30, 2021 and 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Short-term investments:		
Cash & cash equivalents	\$ 3	80
U.S. agency securities	4,016	3,737
Corporate obligations	82,676	133,008
Other fixed income	17,726	18,841
Equities	—	98,323
	<u>104,421</u>	<u>253,989</u>
Funds held by trustee, current portion:		
Fixed income	36,759	38,062
	<u>36,759</u>	<u>38,062</u>

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	<u>2021</u>	<u>2020</u>
Funds held by trustee, less current portion:		
Other fixed income	\$ 10,182	13,252
	<u>10,182</u>	<u>13,252</u>
Long-term investments – less current portion:		
Cash and cash equivalents	35,571	54,229
U.S. government securities	393,402	201,051
U.S. agency securities	89,353	108,325
Corporate obligations	369,112	391,381
Fixed income	139,843	126,472
Equities	616,455	283,208
Alternative investments	245,212	241,536
Joint ventures and partnerships	638,716	401,091
Real estate investments and other	65,788	60,076
	<u>2,593,452</u>	<u>1,867,369</u>
Total investments, all categories	\$ <u>2,744,814</u>	<u>2,172,672</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. These methods are prescribed by GASB No. 72, *Fair Value Measurement and Application*. 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. OHSU does not adjust the quoted price for Level 1 financial instruments.
- Level 2 – Valuation is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and independent pricing models or other model-based valuation techniques using observable inputs.
- Level 3 – Certain types of financial instruments are classified as Level 3 within the valuation hierarchy because these financial instruments trade infrequently and, therefore, have little or no price transparency.

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The following table presents a categorization, based on the foregoing valuation hierarchy, of OHSU's financial instruments measured at fair value as of June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Cash and money market funds	\$ —	52,807	—	52,807
U.S. government securities	—	393,402	—	393,402
U.S. agency securities	—	93,369	—	93,369
Domestic equity securities	304,032	—	134	304,166
International equity securities	64,140	—	—	64,140
Commercial paper	—	5,548	—	5,548
U.S. corporate securities	27,108	285,073	—	312,181
Non-U.S. corporate securities	—	139,607	—	139,607
Asset-backed securities	—	34,992	—	34,992
Venture capital and private equity	—	—	25,802	25,802
Mutual funds – fixed income only	141,967	—	—	141,967
Municipal bonds	—	3,956	—	3,956
Other fixed income	1,835	328	11,896	14,059
Alternative Investments	—	—	625	625
Real estate investments and other	1,400	1,437	3,015	5,852
	<u>\$ 540,482</u>	<u>1,010,519</u>	<u>41,472</u>	<u>1,592,473</u>
Investments measured using NAV per share or its equivalent				1,073,938
Equity method investments				<u>78,403</u>
Total assets			\$	<u><u>2,744,814</u></u>

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

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Fair value</u>
Cash and money market funds	\$ —	48,853	—	48,853
U.S. government securities	—	201,130	—	201,130
U.S. agency securities	—	112,062	—	112,062
Domestic equity securities	126,902	—	134	127,036
International equity securities	43,795	—	—	43,795
Commercial paper	—	7,564	—	7,564
U.S. corporate securities	65,549	290,520	—	356,069
Non-U.S. corporate securities	—	168,322	—	168,322
Asset-backed securities	—	57,633	—	57,633
Venture capital and private equity	—	—	14,936	14,936
Mutual funds – fixed income only	131,965	10	—	131,975
Municipal bonds	—	3,931	—	3,931
Other fixed income	1,523	528	12,100	14,151
Real estate investments and other	1,235	1,510	2,068	4,813
	<u>\$ 370,969</u>	<u>892,063</u>	<u>29,238</u>	<u>1,292,270</u>
Investments measured using NAV per share or its equivalent				825,084
Equity method investments				<u>55,318</u>
Total assets				<u>\$ 2,172,672</u>

There were no transfers of financial instruments between Level 1 or Level 2 classifications either in 2021 or 2020. Changes in Level 3 financial instruments are as follows:

	<u>2021</u>	<u>2020</u>
Balance at beginning of year	\$ 29,238	10,879
Net realized gains (losses)	23	16
Net unrealized gains (losses)	537	(21)
Purchases	26,431	14,945
Sales	(553)	(256)
Transfer from (to) NAV per share, or its equivalent, classification from sales	<u>(14,204)</u>	<u>3,675</u>
Balance at end of year	<u>\$ 41,472</u>	<u>29,238</u>

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Net realized and unrealized gains and losses on financial instruments classified as Level 3 are reported as nonoperating revenues as investment income when earned.

OHSU 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 OHSU 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, 2021 and 2020:

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

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

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(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2021 and 2020, OHSU had the following investments and maturities at fair value:

	2021				Total
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	
Cash and money market funds	\$ 52,031	776	—	—	52,807
U.S. government securities	1,862	373,911	16,232	1,397	393,402
U.S. agency securities	4,016	76,059	5,384	7,910	93,369
Domestic equity securities	—	—	—	428,262	428,262
International equity securities	—	—	—	188,194	188,194
Commercial paper	5,548	—	—	—	5,548
U.S. corporate securities	52,064	163,397	16,977	79,743	312,181
Non-U.S. corporate securities	37,198	98,127	3,995	287	139,607
Asset-backed securities	12,004	6,328	2,725	13,935	34,992
Joint ventures and partnerships	—	—	—	638,715	638,715
Mutual funds – fixed income only	67,726	34,544	25,834	14,345	142,449
Municipal bonds	225	1,971	1,664	96	3,956
Other fixed income	—	238	90	—	328
Alternative investments	—	—	—	245,212	245,212
Real estate investments and other	—	—	—	65,792	65,792
	\$ <u>232,674</u>	<u>755,351</u>	<u>72,901</u>	<u>1,683,888</u>	<u>2,744,814</u>

	2020				Total
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	
Cash and money market funds	\$ 48,168	685	—	—	48,853
U.S. government securities	886	192,853	6,870	520	201,129
U.S. agency securities	3,737	92,928	3,671	11,726	112,062
Domestic equity securities	—	—	—	201,927	201,927
International equity securities	—	—	—	179,604	179,604
Commercial paper	7,564	—	—	—	7,564
U.S. corporate securities	46,975	225,663	15,440	67,992	356,070
Non-U.S. corporate securities	26,094	139,367	2,646	216	168,323
Asset-backed securities	15,159	22,616	4,105	15,752	57,632
Joint ventures and partnerships	—	—	—	401,091	401,091
Mutual funds – fixed income only	67,997	31,244	19,566	13,541	132,348
Municipal bonds	262	1,427	2,024	217	3,930
Other fixed income	—	405	122	—	527
Alternative investments	—	—	—	241,536	241,536
Real estate investments and other	—	—	—	60,076	60,076
	\$ <u>216,842</u>	<u>707,188</u>	<u>54,444</u>	<u>1,194,198</u>	<u>2,172,672</u>

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OHSU held \$34,992 and \$57,632 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2021 and 2020, respectively. These securities are valued at their estimated fair values. 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.

At June 30, 2021 and 2020, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

OHSU's investment policies vary based on the investment objectives of the portfolio. The operating and trustee-held portfolios seek to preserve principal with the intent of maximizing total return within appropriate risk parameters. Maturities of securities selected in these portfolios are driven by prevailing market conditions, while considering cash requirements of the organization.

The Foundation investment policies are established based on the investment objectives of the portfolio. The endowment portfolio, which is included in long-term investments in the accompanying statements of net position, seeks 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 objective for the current fund is to provide a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, fixed income securities, equity mutual funds and ETFs, and quasi endowment within the endowment fund. The duration of the C/F 1-5 year portfolio shall be within a range of 75% to 125% of the Barclay's 1-5 Year Government/Credit Bond Index. The 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.

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(b) Credit Risk

The current fund investment policy requires minimum ratings or better from Standard & Poor's, Moody's, or Fitch as follows:

	Minimum Standard & 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.

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As of June 30, 2021 and 2020, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total	
		2021	2020
Cash and money market funds	AAA	\$ —	6,030
	BBB	40	—
	BB	70	—
	B	196	—
	Below B	18	—
	A-1+	40,791	41,802
	Not rated	972	1,012
	NA	10,720	9
U.S. government securities	AAA	59,049	22,576
	AA+	333,421	176,605
	AA	932	577
U.S. agency securities	A+	—	1,372
	AAA	8,949	14,831
	AA+	83,450	96,920
	AA	193	194
	A	—	118
Commercial Paper	NA	777	—
	A-1+	1,874	2,225
	A-1	3,674	5,339
U.S. corporate securities	AAA	116	46
	AA+	—	1,666
	AA	1,551	7,877
	AA-	3,188	12,724
	A+	11,734	24,881
	A	39,077	48,860
	A-	29,360	47,774
	BBB+	73,233	79,248
	BBB	50,733	49,018
	BBB-	18,533	14,628
	BB+	247	—
	BB	1,379	1,614
	B	539	603
	Below B	155	97
	Not rated	448	347
n/a	81,888	66,683	

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Investment type	Credit rating S&P or equivalent	Total	
		2021	2020
Non-U.S. corporate securities	AA+	\$ —	444
	AA-	5,923	15,953
	A+	7,295	22,291
	A	14,203	23,095
	A-	45,499	47,724
	BBB+	33,548	28,008
	BBB	20,444	24,072
	BBB-	7,606	6,316
	NA	5,089	420
Asset-backed securities	AAA	18,287	32,127
	AA+	1,540	6,397
	AA	1,634	1,221
	A	669	764
	BBB	705	252
	BBB-	227	—
	BB	167	110
	B	136	109
	Below B	1,770	1,530
	A-1+	—	4,184
	Not rated	2,645	1,886
	NA	7,212	9,052
Mutual funds – fixed income only	AAA	67,812	87,604
	AA	16,176	4,882
	A	20,705	11,631
	BBB	22,486	13,525
	BB	5,741	4,440
	B	4,278	4,940
	Below B	2,846	3,062
	Not rated	2,405	2,264
Municipal bonds	AAA	390	192
	AA	3,020	3,362
	A	351	224
	BBB	79	97
	BB	89	56
	Not rated	27	—

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Investment type	Credit rating S&P or equivalent	Total	
		2021	2020
Other fixed income	BBB	\$ —	85
	BB	—	194
	B	—	234
	Below B	—	15
	Not rated	328	—
Joint ventures and partnerships	NA	638,715	401,091
Alternative investments	NA	245,212	241,536
Real estate investments and other	NA	65,792	60,076
Domestic equity securities	NA	428,262	201,927
International equity securities	NA	188,194	179,604
		<u>\$ 2,744,814</u>	<u>2,172,672</u>

(c) Concentration of Credit Risk

The current fund's investment policy limits investments in any issuer 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, 2021 or 2020, OHSU had no investments in excess of the thresholds discussed above.

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(d) Foreign Currency Risk

OHSU's investment policies permit investments in international equities 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:

Foreign currency	Value (U.S. dollar)	
	2021	2020
British sterling pound	\$ 13,201	11,264
Canadian dollar	1	8,671
Euro	21,432	14,257
Total	\$ 34,634	34,192

(4) Due from/to Contractual Agencies

Due from contractual agencies, reflected in patient accounts receivable under current assets in the statements of net position, represents amounts receivable from the State Medicaid Program (Medicaid), the Federal Medicare Program (Medicare), and other contractual agencies. Due to contractual agencies, reflected in other current liabilities in the statements of net position, represents amounts payable to Medicaid, Medicare and other contractual agencies. A summary of the balances as of June 30, 2021 and 2020 is as follows:

	Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
	As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020	As of June 30, 2021	As of June 30, 2020
Medicaid	\$ 18,802	23,122	—	—	18,802	23,122
Intergovernmental transfer	5,357	16,176	(1,236)	(1,876)	4,121	14,300
Medicare	—	—	(3,910)	(2,770)	(3,910)	(2,770)
Other contractual agencies	—	8,714	(5,766)	—	(5,766)	8,714
	\$ 24,159	48,012	(10,912)	(4,646)	13,247	43,366

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a program that leverages federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU

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Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

Oregon's Medicaid coordinated care organizations (CCO's) pay OHSU an additional amount per clinical service provided to patients as Quality and Access payments. These additional payments have been approved by CMS and are funded through a combination of OHSU's IGT and federal dollars. The purpose of these funds is to maintain access to the high quality unique academic health center services OHSU provides to Medicaid patients.

During fiscal year 2021 and 2020, respectively, OHSU made intergovernmental transfers of \$352,483 and \$321,517 to the State of Oregon. The State of Oregon used these dollars, and the corresponding federal match, for payment of Medicaid services throughout Oregon. Oregon's Medicaid CCO's paid OHSU \$469,546 and \$424,642, in fiscal year 2021 and 2020, respectively, through Quality and Access payments. The Quality and Access Payments and the Intergovernmental transfers, are included as a net reduction in the contractual discounts and represents a portion of the Medicaid payment for patient care services. A net benefit of the program, including funding from other federal and state sources, allows the University to have resources available to support OHSU's missions. During the year ended June 30, 2021 and 2020, the University was able to provide support for research and education of \$144,250 and \$129,500, respectively.

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2021 and 2020 are listed by category below:

	<u>2021</u>	<u>2020</u>
Land and land improvements	\$ 82,303	82,303
Buildings and other improvements	2,857,836	2,757,678
Equipment	1,134,725	1,072,012
Construction in progress	114,969	151,347
Accumulated depreciation	<u>(2,133,846)</u>	<u>(1,959,749)</u>
Total capital assets, net	<u>\$ 2,055,987</u>	<u>2,103,591</u>

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The following is a summary of capital assets for the fiscal years ended June 30, 2021 and 2020:

	<u>June 30,</u> <u>2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30,</u> <u>2021</u>
Capital assets not depreciated:				
Land and land improvements	\$ 82,303	—	—	82,303
Construction in progress	151,347	23,165	(59,543)	114,969
Total capital assets not depreciated	<u>233,650</u>	<u>23,165</u>	<u>(59,543)</u>	<u>197,272</u>
Other capital assets:				
Buildings and other improvements	2,757,678	100,158	—	2,857,836
Equipment	1,072,012	68,579	(5,866)	1,134,725
Total other capital assets	<u>3,829,690</u>	<u>168,737</u>	<u>(5,866)</u>	<u>3,992,561</u>
Less accumulated depreciation:				
Buildings and other improvements	(1,132,904)	(105,359)	(1)	(1,238,264)
Equipment	(826,845)	(73,173)	4,436	(895,582)
Total accumulated depreciation	<u>(1,959,749)</u>	<u>(178,532)</u>	<u>4,435</u>	<u>(2,133,846)</u>
Other capital assets, net	<u>1,869,941</u>	<u>(9,795)</u>	<u>(1,431)</u>	<u>1,858,715</u>
Total capital assets, net	<u>\$ 2,103,591</u>	<u>13,370</u>	<u>(60,974)</u>	<u>2,055,987</u>

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	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not depreciated:				
Land and land improvements	\$ 83,645	—	(1,342)	82,303
Construction in progress	102,172	163,021	(113,846)	151,347
Total capital assets not depreciated	<u>185,817</u>	<u>163,021</u>	<u>(115,188)</u>	<u>233,650</u>
Other capital assets:				
Buildings and other improvements	2,655,655	102,513	(490)	2,757,678
Equipment	1,058,487	56,949	(43,424)	1,072,012
Total other capital assets	<u>3,714,142</u>	<u>159,462</u>	<u>(43,914)</u>	<u>3,829,690</u>
Less accumulated depreciation:				
Buildings and other improvements	(1,031,448)	(101,469)	13	(1,132,904)
Equipment	(795,515)	(75,124)	43,794	(826,845)
Total accumulated depreciation	<u>(1,826,963)</u>	<u>(176,593)</u>	<u>43,807</u>	<u>(1,959,749)</u>
Other capital assets, net	<u>1,887,179</u>	<u>(17,131)</u>	<u>(107)</u>	<u>1,869,941</u>
Total capital assets, net	<u>\$ 2,072,996</u>	<u>145,890</u>	<u>(115,295)</u>	<u>2,103,591</u>

(6) Compensated Absences Payable

Vacation pay for classified employees is earned at 8 to 24 hours per month, depending on the length of service and classification, with a maximum accrual of up to 364 hours per employee and a maximum payment upon separation of up to 364 hours. Due to the COVID-19 pandemic, in recognition of the fact that employees may not be able to take time off during this time and therefore they would reach their accrual cap and stop accruing time off, the maximum accrual cap has been temporarily increased or waived. A maximum of 96 to 288 hours of vacation can be earned per year, depending on the length of service and classification. The yearly maximum accrual has also been waived due to COVID-19. Vacation/PTO pay for unclassified employees is earned at 14.67 to 17.33 hours per month, with a maximum accrual of 256 hours; due to COVID-19 the maximum accruals for unclassified employees has been set to 575 hours. The maximum payment of unused vacation/PTO hours for unclassified employees at termination varies is 80 hours at a 50% payment rate. There are a few exceptions, such as: the previous Management Service employees who transitioned to Unclassified Administrative on July 8, 1996 will be paid up to 250 hours unused accrued vacation at 100% pay rate. Eligible employees may have the opportunity to cash-out unused accrued vacation hours, up to 100 hours per year based on their representational group.

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Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted additional 112 sick leave hours prorated by FTE. The additional hours were intended to support employees who become sick prior to December 20, 2020: 80 hours available immediately when needed and 32 hours available after exhausting the employee's sick leave bank. The additional sick leave hours have been extended beyond December 2020. At the end of March 2021 the additional number of sick leave hours has been set to 80 hours prorated by FTE. These hours can be used for COVID-19 symptoms, for COVID-19 testing as well as for vaccination side effects. No liability exists for terminated employees.

There are two representational groups setup with time off accruals based on the academic year: Graduate Researchers United (GRU) and House Officers Union (HOU). PTO for GRU represented employees is earned at the rate of 13.33 hours per month, with a maximum of 160 hours per year. These hours can be used for time off and sick leave. No cash-out of unused PTO GRU is available. GRU represented employees can carryover 10 days from one academic year to another. House Officers are granted 160 hours of vacation and 120 hours sick leave, front-loaded at the beginning of the academic year. Sick leave hours unused by the HOU represented employees during the academic year will carry over to the following appointment year. Vacation cash-out is not allowed for HOU represented employees and sick leave hours are not paid at separation.

In recognition of Juneteenth, employees have been granted 8 hours paid leave prorated by FTE.

(7) Retirement Plans

The University, excluding blended component units, offers various pension plans to all qualified employees: the State's Public Employees Retirement System (PERS), which includes a cost-sharing, defined-benefit plan and a defined-contribution plan (individual account plan – IAP), the University Pension Plan (UPP), and the Clinical Retirement Plan (CRP).

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2020 measurement date, there were 901 participating employers.

PERS is administered in accordance with ORS Chapter 238, Chapter 238A, and Internal Revenue Code Section 401(a). The State's legislature has delegated authority to the Public Employees Retirement Board (PERS Board) to administer the system. The PERS Board is composed of five trustees who administer retirement (service and disability), death, and retiree health insurance benefits. All members of the PERS Board are appointed by the governor and confirmed by the state senate. The governor designates the chairperson. Statute specifies PERS Board membership must be three people with experience in business management, pension management, or investing who are not members of the PERS system; one person who is either an employee of the state in a management position or a

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person who holds an elective office in the governing body of a participating public employer other than the state; and one person representing public employees and retirees.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the State's PERS's Annual Comprehensive Financial Report (ACFR) and Actuarial Valuations may be obtained from the PERS Web site at <https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx>.

PERS comprises three separate defined-benefit groups: PERS Tier 1, PERS Tier 2, and Oregon Public Service Retirement Plan (OPSRP).

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

- (a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.
- (b) Members are provided retirement, disability, and death benefits.
- (c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:
 - 1. An active member in each of 5 calendar years
 - 2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).
- (d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.
- (e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.
- (f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

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(g) Annual Cost of Living Adjustments (COLA) of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(2) PERS OPSRP

(a) The OPSRP plan is open to members hired on or after August 29, 2003.

(b) Members are provided retirement, disability, and death benefits.

(c) Vesting occurs if either of the following conditions are met, unless the account is withdrawn:

1. Completion of at least 600 hours of service in each of five calendar years
2. Reached normal retirement age as an active member on that date.

(d) The retirement allowance is payable monthly for life.

(e) The basic benefit is based on years of service and final average salary. A percentage (1.8% for police and fire employees, 1.5% for general employees) is multiplied by the number of years of service and the final average salary.

(f) Normal retirement age for general members is age 65, or age 58 with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 60, or age 53 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(g) Annual COLA of up to 2% annually for service time accrued before October 1, 2013; COLA for service time after that date uses a lower rate. Service time accrued in both periods is "blended."

(ii) *Contributions*

PERS funding policy provides for monthly employer contributions at actuarially determined rates. These contributions, expressed as a percentage of covered payroll, are intended to accumulate sufficient assets to pay benefits when due. This funding policy applies to the PERS defined-benefit plan and the OPEBs.

The employer contribution rate for active employees is established by the PERS Board based upon actuarial valuations, which are performed once every two years to determine the level of employer contributions. Employer contribution rates during the period were based on the December 31, 2017 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2019. The employer contribution rate for PERS Tier 1 and Tier 2 was 19.96% from July 1, 2019 to June 30, 2021. The employer contribution rate for OPSRP was 13.35% (OPSRP Police and Fire, 17.98%) from July 1, 2019 to June 30, 2021.

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The State and certain schools, community colleges, and political subdivisions have made lump-sum payments to establish side accounts and their rates have been reduced. OHSU made \$10,000 lump-sum payments to PERS during fiscal years 2021 and 2020, respectively. Amounts contributed postmeasurement date, including fiscal year 2021 and 2020 side account contributions of \$10,000, are recorded as deferred outflows in the amount of \$58,333 and \$60,841 for the years ended June 30, 2021 and 2020, respectively. In fiscal year 2020, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments made after June 2, 2018, receiving a \$5,000 match payment. OHSU recognized the \$5,000 match payment as state appropriations in fiscal year 2021.

The defined-benefit pension plan contributions can be found in the required supplementary information.

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2021 and 2020 is \$595,311 and \$503,720, respectively, utilizing a June 30, 2020 and 2019 measurement date, respectively. The net pension liability for the June 30, 2021 and 2020 fiscal year-end was determined based on the results of the December 31, 2018 and December 31, 2017 actuarial valuation rolled forward to the respective measurement dates using standard actuarial procedures.

The basis for OHSU's proportion is actuarially determined by comparing OHSU's projected long-term contribution effort to the PERS cost-sharing, multiple-employer defined-benefit pension plan with the total projected long-term contribution effort of all participating employers. OHSU's proportionate share was 2.73% for the June 30, 2020 measurement date and 2.91% for the June 30, 2019 measurement date.

Senate Bill 1049, signed into law in June 2019, introduced a limit on the amount of annual salary included for the calculation of benefits. Beginning in calendar year 2020, annual salary in excess of \$195,000 (as indexed in future years) will be excluded when determining member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

The benefits valued in the Net Pension Liability are required to be in accordance with the benefit terms legally in effect as of the relevant fiscal year-end for the plan. As a result, Senate Bill 1049 was reflected in the June 30, 2019 Net Pension Liability, and the salary limit provision is the only difference in the valuation basis used to determine the Net Pension Liability between the measurement dates June 30, 2018 and June 30, 2019.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of PERS, and additions to/deductions from PERS' fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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(iv) *Proportionate Share of Pension Expense and Deferrals Related to Pensions*

OHSU's pension expense for the years ended June 30, 2021 and 2020 was \$113,695 and \$109,907, respectively. The pension expense, which is considered period interest cost, service cost, amortization of deferred outflows and inflows, and changes in benefit terms, has increased since prior year and is included in salaries, wages, and benefits in the statements of revenues, expenses, and changes in net position.

In July 2017, the assumed rate of return on investments was reduced from 7.50% to 7.20%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2019-21 biennium.

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2021 and 2020:

	Deferred outflow of resources		Deferred inflow of resources	
	2021	2020	2021	2020
Differences between expected and actual experience	\$ 26,201	27,779	—	—
Changes of assumptions	31,948	68,335	(1,119)	—
Net difference between projected and actual earnings on pension plan investments	70,001	—	—	(14,280)
Changes in proportionate share	—	—	(43,760)	(39,012)
Differences between contributions and OHSU's proportionate share of system contributions	3,262	3,095	(1,335)	(2,726)
Total (prior to post-MD contributions)	131,412	99,209	(46,214)	(56,018)
Contributions subsequent to the measurement date	58,333	60,841		
Gross deferred outflow (inflow) of resources	\$ 189,745	160,050	(46,214)	(56,018)

The contributions made subsequent to the measurement date of \$58,333 will be recognized as a reduction in the net pension liability during the year ending June 30, 2022.

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Remaining amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Fiscal year ending</u>	<u>Deferred outflow (inflow) of resources</u>
2022	\$ 11,954
2023	27,151
2024	27,580
2025	19,395
2026	(882)
Total	<u>\$ 85,198</u>

(v) *Actuarial Methods and Assumptions*

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2021 and 2020.

<u>Actuarial Methods and Assumptions</u>	<u>2021</u>	<u>2020</u>
Valuation date	December 31, 2018	December 31, 2017
Measurement date	June 30, 2020	June 30, 2019
Experience study report	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.50 %	2.50 %
Long-term expected rate of return	7.20	7.20
Discount rate	7.20	7.20
Projected salary increases	3.50	3.50
Cost of Living Adjustments (COLA)	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with <i>Moro</i> case decision; blend based on service

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Actuarial Methods and Assumptions	2021	2020
Mortality	<p>Healthy retirees and beneficiaries: Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.</p> <p>Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p> <p>Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.</p>	<p>Healthy retirees and beneficiaries: RP-2014 Healthy annuitant, sex-distinct generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.</p> <p>Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setback as described in the valuation.</p> <p>Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unisex, Social Security Data Scale.</p>

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2018 experience study, used in developing total pension liability reported as of June 30, 2020, was based on the data for the experience period January 1, 2015 to December 31, 2018.

(vi) *Discount Rate*

The discount rate used to measure the total pension liability at June 30, 2020 and June 30, 2019 was 7.20%, respectively. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the contractually required rates, as actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments for PERS was applied to all periods of projected benefit payments to

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determine the total pension liability. The impact of a 1.00% decrease and increase in the discount rate on the net pension liability is as follows:

Discount Rate Sensitivity – Net Pension Liability
 (Dollars in thousands)

<u>OHSU’s proportionate share</u>	<u>1% Decrease</u>	<u>Current discount rate</u>	<u>1% Increase</u>
June 30, 2021	883,987	595,311	353,242
June 30, 2020	\$ 806,664	503,720	250,199

(vii) *Investments*

The Oregon State Treasury is the investment officer for the State. Investment standards are established in ORS 293.726 and require funds to be managed as a prudent investor would do. The Oregon Investment Council (OIC) establishes policies for the investment and reinvestment of moneys in the Oregon Public Employees Retirement Fund (OPERF).

ORS 293.701 defines the investment funds over which OIC has responsibility. Included is the OPERF, which comprises the defined-benefit pension plan, the individual account program, and the other postemployment benefit plans. OIC establishes policies for the investment and reinvestment of moneys in the investment funds as well as the acquisition, retention, management, and disposition of investments in the investment funds. OIC is also responsible for providing an examination of the effectiveness of the investment program.

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(1) *Assumed Asset Allocation*

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2020:

OIC Target and Actual Investment Allocations as of June 30, 2020*

<u>Asset class/strategy</u>	<u>OIC policy low range</u>	<u>OIC policy high range</u>	<u>OIC target allocation</u>	<u>Asset class/strategy</u>	<u>Actual allocation³</u>
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	20.0 %
Public equity	27.5	37.5	32.5	Public equity	31.8
Real estate	9.5	15.5	12.5	Real estate	11.4
Private equity	14.0	21.0	17.5	Private equity	22.9
Alternative portfolio	7.5	17.5	15.0	Alternative portfolio	10.5
Opportunity portfolio ¹	—	3.0	—	Opportunity portfolio ¹	2.1
Risk Parity ²	—	2.5	2.5	Risk Parity ²	1.3
Total			100.0 %	Total	100.0 %

¹ Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net position.

² Risk Parity is a new investment strategy added to the asset allocation mix in 2019.

³ Based on the actual investment value at 6/30/2020.

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2019:

OIC Target and Actual Investment Allocation as of June 30, 2019*

<u>Asset class/strategy</u>	<u>OIC policy low range</u>	<u>OIC policy high range</u>	<u>OIC target allocation</u>	<u>Asset class/strategy</u>	<u>Actual allocation</u>
Debt securities	15.0	25.0	20.0 %	Debt securities	20.1 %
Public equity	32.5	42.5	37.5	Public equity	36.4
Real estate	9.5	15.5	12.5	Real estate	11.1
Private equity	14.0	21.0	17.5	Private equity	21.4
Alternative equity	—	12.5	12.5	Alternative equity	8.9
Opportunity portfolio ¹	—	3.0	—	Opportunity portfolio ¹	2.1
Total			100.0 %	Total	100.0 %

¹ Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net assets.

* The OIC target allocations are based on OIC asset classes as determined by each manager's primary investment type, not the financial statement classification of individual holdings. The target allocation amounts do not include deferred compensation plan investments. The actual investment allocation is based on the financial statement

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investment classifications, including deferred compensation plan investments. Risk parity is included with the alternatives portfolio.

(2) Long-Term Expected Rate of Return

To develop an analytical basis for the selection of the long-term expected rate of return assumption the PERS Board reviews long-term assumptions developed by the consulting actuary's capital market assumptions team and the OIC investment advisers. The table below shows the actuary's assumptions for each of the asset classes in which the plan was invested at that time based on the OIC long-term target asset allocation. The OIC's description of each asset class was used to map the target allocation to the asset classes shown below. Each asset class assumption is based on a consistent set of underlying assumptions and includes adjustment for the inflation assumption. These assumptions are not based on historical returns, but instead are based on a forward-looking capital market economic model.

Asset class	2021 Target allocation*	2021 Compound annual return (Geometric)	2020 Target allocation*	2020 Compound annual return (Geometric)
Core fixed income	9.60 %	4.07 %	8.00 %	3.49 %
Short-term bonds	9.60	3.68	8.00	3.38
Bank/leveraged loans	3.60	5.19	3.00	5.09
High-yield bonds	1.20	5.74	1.00	6.45
Large/mid cap U.S. equities	16.17	6.30	15.75	6.30
Small cap U.S. equities	1.34	6.68	1.30	6.69
Micro cap U.S. equities	1.34	6.79	1.30	6.80
Developed foreign equities	13.48	6.97	13.13	6.71
Emerging market equities	4.22	7.69	4.12	7.45
Non-U.S. small cap equities	1.93	7.25	1.88	7.01
Private equity	17.50	8.33	17.50	7.82
Real estate (property)	10.00	5.55	10.00	5.51
Real estate (REITs)	2.50	6.69	2.50	6.37
Hedge fund of funds – diversified	1.50	4.06	2.50	4.09
Hedge fund – event-driven	0.38	5.59	0.63	5.86
Timber	1.13	5.61	1.88	5.62
Farmland	1.13	6.12	1.88	6.15
Infrastructure	2.25	6.67	3.75	6.60
Commodities	1.13	3.79	1.88	3.84
Assumed inflation – mean		2.50	—	2.50
	100.00 %		100.00 %	

* Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of April 24, 2019

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(b) Other Retirement Plans

In addition to the PERS defined-benefit retirement plan, OHSU has two defined-contribution plans – the UPP and the CRP.

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2021 and 2020, all employer contributions to the plan were 6% of salary.

For Oregon Nurse Association (ONA) represented employees and noncollective bargaining employees, which includes faculty, research, and unclassified administrative participating in the UPP; OHSU offers a 6% employee contribution, which is employer paid and is fully vested at the time of the contribution.

For employees who are members of the OPP who work in a qualifying position, OHSU offers participation in the CRP. The CRP is an employer-paid, defined-contribution plan, and contributions to this plan are fully vested at the time of the contribution. A variable contribution rate is used for employees enrolled prior to January 1, 2009. After January 1, 2009, a 12% contribution rate is used.

	<u>2021</u>	<u>2020</u>
UPP:		
Employer contribution	\$ 50,758	46,850
Employee contribution ⁽¹⁾	<u>22,809</u>	<u>23,519</u>
	<u>\$ 73,567</u>	<u>70,369</u>
	<u>2021</u>	<u>2020</u>
CRP:		
Employer contribution	\$ <u>33,705</u>	<u>31,251</u>
	<u>\$ 33,705</u>	<u>31,251</u>

⁽¹⁾ Of the employees' share, the employer paid \$22,809 and \$23,519 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2021 and 2020, respectively.

OHSU offers all eligible employees, full and part time, an option to participate in one of two tax-deferred savings plans through the University Voluntary Savings Program. The 403(b) Plan is often referred to as a tax-deferred investment plan while the 457(b) Plan is referred to as a deferred compensation plan.

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Both plans offer a variety of investment options. The contribution and investment earnings under these plans are tax deferred, which may be accumulated by the employee for distribution at a future date. ONA-represented, research and unclassified administrative employees hired July 1, 2017 or later, and enrolled in the UPP, are eligible for a 403(b) match paid by the employer, otherwise, all other contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundation has defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundation contributed \$1,300 and \$1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2021 and 2020, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

OHSU administers a single-employer, defined-benefit healthcare plan for qualified employees and postemployment healthcare for retiring employees eligible to receive medical coverage. Additionally, for eligible PERS members, PERS administers the Retirement Health Insurance Account (RHIA) cost-sharing, multiple-employer defined-benefit OPEB plan.

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

OHSU provides retiree health program coverage to current and future retirees of OHSU who qualify for retirement. Members who terminate prior to retirement eligibility or are not participating in the plan at retirement are not eligible to participate in the program. The employee must be actively enrolled in an OHSU medical plan at the time of separation from OHSU.

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2020, the following employees were covered by the benefit terms.

	October 1, 2020	October 1, 2019
Active employees	14,460	14,460
Retired members and others, receiving benefits	115	115
Total participants	<u>14,575</u>	<u>14,575</u>

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(iii) *Benefit Payments*

Benefit payments made for the fiscal year-end June 30, 2021 and June 30, 2020 were \$674 and \$634, respectively.

(iv) *Total OPEB Liability*

The total OPEB liability as of the reporting date June 30, 2021 and 2020 is \$23,224 and \$20,955, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2019, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) *Actuarial Assumptions and Other Inputs*

The following methods and assumptions were used in developing the total OPEB liability.

<u>Fiscal year ending</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Valuation date	October 1, 2019	October 1, 2019
Measurement date	October 1, 2020	October 1, 2019
Reporting date	June 30, 2021	June 30, 2020
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018
Inflation	2.50 %	2.50 %
Discount rate*	2.21 %	2.66 %

* The discount rate was based on the Bond Buyer General Obligation 20-Bond Municipal Index.

(vi) *Expense and Deferred (Inflows)/Outflows of Resources Related to OPEB*

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was \$3,369 and \$860 for the fiscal year ended June 30, 2021 and June 30, 2020, respectively.

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As of June 30, 2021 and 2020, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2021	2020	2021	2020
Differences between expected and actual experience	\$ 905	1,098	—	—
Changes of assumptions	6,786	7,060	(824)	(1,037)
Total (prior to post-MD contributions)	7,691	8,158	(824)	(1,037)
Contributions subsequent to the measurement date	675	633	—	—
Gross deferred outflow (inflow) of resources	\$ 8,366	8,791	(824)	(1,037)

The contributions made subsequent to the measurement date of \$675 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2022.

(b) Cost-Sharing, Multiple-Employer Defined-Benefit Plans*(i) Plan Description*

ORS 238.420 established the RHIA. RHIA is a cost-sharing, multiple-employer OPEB plan for 904 participating employers. The plan was closed to new entrants hired on or after August 29, 2003.

The State's PERS issues a publicly available financial report that includes financial statements and required supplementary information, including a 10-year historical trend information showing the accumulation of sufficient assets to pay benefits when due. Copies of the Oregon Public Employees Retirement System's Comprehensive Annual Financial Report and Actuarial Valuations may be obtained from the PERS Web site at:

www.oregon.gov/pers/Pages/Financials/Actuarial-Financial-Information.aspx.

(ii) Benefits Provided

The plan authorizes a payment of up to sixty dollars from RHIA toward the monthly cost of health insurance for eligible PERS members.

(iii) Contributions

Contributions are advance-funded on an actuarially determined basis. The contractually required contributions for retiree healthcare liabilities for the period July 1, 2019 through June 30, 2021 are

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0.06% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2017 actuarial valuation.

Contributions to the OPEB plan from OHSU were \$78 and \$153 for the years ended June 30, 2021 and June 30, 2020, respectively. Employees are not required to contribute to the OPEB plan.

(iv) OPEB Asset (Liability), OPEB Expense (Income), and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At fiscal year ended June 30, 2021 and 2020, OHSU reported an asset of \$4,328 and \$6,200 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2019 and 2018 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2018 and December 31, 2017, respectively. OHSU's proportion of the net OPEB asset (liability) was based on a projection of OHSU's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating members, actuarially determined. At the June 30, 2020 and 2019 measurement date, OHSU's proportionate share was 2.12% and 3.21%, respectively.

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The OPEB expense (income), which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was \$(128) and \$(823), for the year ended June 30, 2021 and 2020, respectively. As of June 30, 2021 and 2020, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2021	2020	2021	2020
Differences between expected and actual experience	\$ —	—	(442)	(818)
Changes of assumptions	—	—	(230)	(6)
Net difference between projected and actual earnings on investments	481	—	—	—
Changes in proportionate share	1,110	17	—	(383)
Differences between contributions and OHSU's proportionate share of system contributions	—	—	(23)	(50)
Total (prior to post-MD contributions)	1,591	17	(695)	(1,257)
Contributions subsequent to the measurement date	78	153	—	—
Gross deferred outflow (inflow) of resources	\$ <u>1,669</u>	<u>170</u>	<u>(695)</u>	<u>(1,257)</u>

The contributions made subsequent to the measurement date of \$78 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2022.

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(v) *Actuarial Assumptions and Other Inputs*

The total OPEB asset (liability) in the December 31, 2018 and 2017 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

<u>Fiscal year ending</u>	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Valuation date	December 31, 2018	December 31, 2017
Measurement date	June 30, 2020	June 30, 2019
Reporting date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 24, 2019	2016, published July 26, 2017
	Based on data for the experience period January 1, 2015 to December 31, 2018	Based on data for the experience period January 1, 2013 to December 31, 2016
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.50%	2.50 %
Long-term expected rate of return	7.20%	7.20 %
Discount rate	7.20%	7.20 %

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(9) Long-Term Debt, Bonds, and Capital Leases

Long-term debt, including related unamortized original issue discounts and premiums and capital leases at June 30, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Revenue Bonds		
Series 1995A	\$ 12,550	23,027
Series 2012A	73,905	79,230
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A, B1, B2, and C	269,260	271,125
Direct Placement and Direct Purchase Revenue Bonds		
Series 2016A	50,000	50,000
Series 2017B	50,000	50,000
Series 2019D	50,000	50,000
Other Debt		
State of Oregon DSPA and TIC Agreements	25,369	26,084
City of Portland Local Improvement District Agreements	11,396	13,251
Unamortized Bond Premiums and Discounts	59,981	67,396
Capital Leases	2,202	1,987
	<u>\$ 969,958</u>	<u>997,395</u>
Less: Current Portion of Long-Term Debt and Capital Leases	<u>(24,082)</u>	<u>(23,419)</u>
Noncurrent Long-Term Debt and Capital Leases	<u>\$ 945,876</u>	<u>973,976</u>

(a) Revenue Bonds**1995A Insured Revenue Bonds**

The OHSU 1995A Insured Revenue Bonds (1995A Bonds) are tax-exempt capital appreciation bonds with interest accreted until maturity. The total amount outstanding for the 1995A Bonds is \$12,550 as of June 30, 2021; including principal amount of \$2,958 and an accreted interest balance of \$9,592. The 1995A Bonds have one remaining outstanding maturity due July 1, 2021 OHSU is required to maintain funds held by a trustee for debt service reserve requirements for these bonds in amounts sufficient to pay specified principal and interest payments. The 1995A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 1995A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

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2012A Revenue Bonds

OHSU Series 2012A Revenue Bonds (2012A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of \$73,905 as of June 30, 2021. The 2012A Bonds have remaining maturities due July 1, 2021 through July 1, 2028, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2012A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenue. Pursuant to the Oregon Uniform Revenue Bond Act, the 2012A Bonds are not general obligation bonds and are payable solely from the revenue pledged.

2012E Revenue Bonds (Refunded)

OHSU Series 2012E Revenue Bonds (2012E Bonds) were refunded on December 19, 2019. The 2012E Bonds had an outstanding principal amount of \$126,365 that was refunded partially on a current refunding basis for \$21,900 through a tender offer and partially on an advance refunding basis for \$104,465 through the issuance of taxable debt. Bond proceeds from the issuance of the OHSU Series 2019A, Series 2019C, and Series 2019D Revenue Bonds were used in the refunding.

The 2012E Bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2021 is \$104,465. At the time of the advance refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for the Series 2012E up to the redemption date of July 1, 2022 on which the University intends to redeem the bonds. The funds held in escrow for the refunding of the Series 2012E as of June 30, 2021 is \$108,998.

While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2012E Bonds. The balance of the deferred accounting loss from the refunding of the 2012E Bonds as of June 30, 2021 and 2020 are \$8,427 and \$9,361, respectively.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of \$100,000 as of June 30, 2021. The 2015C Bonds have a maturity date of July 1, 2045, and require semiannual interest payments at a coupon rate of 5.0%. Proceeds from the Series 2015C were used for general public corporation or other public purposes, including, but not limited to, financing capital expenses, noncapital expenses, and costs related to the issuance of the bonds. The 2015C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2015C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2016B Revenue Bonds

OHSU Series 2016B Revenue Bonds (2016B Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of \$199,835 as of June 30, 2021. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A Bonds

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and for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of \$65,460 as of June 30, 2021. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019ABC Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of \$129,145 as of June 30, 2021. The 2019A Bonds have remaining maturities due July 1, 2021 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%.

OHSU Series 2019B1 Revenue Bonds (2019B1 Bonds) are tax-exempt put bonds with an outstanding principal amount of \$25,950 as of June 30, 2021. The 2019B1 Bonds have maturities due beginning July 1, 2040 through July 1, 2042, a first optional redemption date of November 1, 2022, and a mandatory purchase date of February 1, 2023. The 2019B1 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019B2 Revenue Bonds (2019B2 Bonds) are tax-exempt put bonds with an outstanding principal amount of \$49,120 as of June 30, 2021. The 2019B2 Bonds have maturities due beginning July 1, 2040 through July 1, 2042, a first optional redemption date of November 1, 2024, and a mandatory purchase date of February 1, 2025. The 2019B2 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019C Revenue Bonds (2019C Bonds) are taxable fixed rate bonds with an outstanding principal amount of \$65,045 as of June 30, 2021. The 2019C Bonds have maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%.

The 2019A, 2019B1, 2019B2, and 2019C Bonds were issued to refund the OHSU Series 2012E Revenue Bonds on a current and advance refunding basis, to refund the OHSU Series 2012C and Series 2012B-3 Revenue Bonds on a current refunding basis, to refund the OHSU Series 2015A and 2015B Revenue Bonds on a current refunding basis, to pay for capital improvements for the University,

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and to pay for costs of issuance for the bonds. The 2019A, 2019B1, 2019B2, and 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019A, 2019B1, 2019B2, and 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

(b) Direct Placement and Direct Purchase Bonds**2016A Revenue Bonds**

OHSU Series 2016A Revenue Bonds (2016A Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of \$50,000 as of June 30, 2021. The 2016A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016A Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement and if the University fails to meet the debt covenants requiring financial disclosures. The 2016A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017B Revenue Bonds

OHSU Series 2017B Revenue Bonds (2017B Bonds) are tax-exempt fixed rate direct placement bonds with an outstanding principal amount of \$50,000 as of June 30, 2021. The 2017B Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) are taxable fixed rate direct purchase rate bonds with an outstanding principal amount of \$50,000 as of June 30, 2021. The 2019D Bonds were issued to refund a portion of the OHSU Series 2012E Revenue Bonds on an advance refunding basis. The 2019D Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of

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default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2019D Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019D Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt**State of Oregon DSPA and TIC Agreements**

OHSU has agreements with the Oregon State Board of Higher Education (on behalf of the State of Oregon) pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay when due principal, interest and other charges with respect to debt incurred by the State for the benefit of OHSU. These agreements between OHSU and the State are commonly referred to as the Debt Service Payment Agreement (DSPA) and the Tenancy in Common Agreement (TIC).

In 1995, OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly (the Act). Pursuant to the Act, OHSU assumed liability for outstanding indebtedness of the State previously incurred for the benefit of OHSU. To evidence this obligation, OHSU and the Oregon State Board of Higher Education (on behalf of the State of Oregon) entered into the DSPA.

In 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education to build the Robertson Life Sciences Building (previously referred to as the Collaborative Life Sciences Building) on OHSU's Schnitzer Campus located in Portland's South Waterfront to be jointly owned, developed, and operated collaboratively with Portland State University and Oregon State University. As partial consideration for OHSU's receipt of 50% undivided percentage interest in the tenancy in common of the Robertson Life Sciences Building, OHSU entered into the TIC in which OHSU agreed to pay to the State for a portion of the debt issued by the State to fund the construction of the project.

Pursuant to the DSPA and TIC, OHSU has an obligation to the State, and the State is the bond issuer. From time to time, the State has refinanced its bonds, some of which has affected the underlying bonds that were assigned to the DSPA and TIC. In fiscal year 2021, the State refunded several bonds that affected OHSU's debt service due under the DSPA and TIC.

On July 16, 2020, the State of Oregon refunded OHSU assigned debt principal of \$11,988 from State bonds including the 2010 Series A, 2011 Series E, 2011 Series G, and a portion of the 2012 Series A. To refund this debt, the State issued the 2020 Series O Bonds of which OHSU is assigned \$12,895 in principal to be repaid with maturities out to fiscal year 2042. The State's refunding increased the amount of debt principal due for OHSU, but resulted in interest savings over the life of the bonds. OHSU debt service payments, including principal and interest, was \$22,056 under the old refunded bonds and is \$17,747 under the new bonds issued, a decrease of \$4,309. The economic gain or net present value savings for OHSU, as calculated by the State, was \$3,850.

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Additionally, on May 12, 2021, the State of Oregon refunded debt that minimally impacted OHSU. The State refunded OHSU assigned debt of \$1.8 thousand from the State bonds including the 2013 Series A, and 2013 Series B. To refund this debt, the State issued the 2021 Series H and 2021 Series I Bonds of which OHSU is assigned \$15.0 thousand in principal to be repaid with maturities out to fiscal year 2024. The State's refunding increased the amount of debt principal due for OHSU, but resulted in interest savings over the life of the bonds. OHSU debt service payments, including principal and interest, was \$19.2 thousand under the old refunded bonds and is \$15.2 thousand under the new bonds issued, a decrease of \$4.0 thousand. The economic gain or net present value savings for OHSU, as calculated by the State, was one hundred sixty nine dollars. This refunding was part of a larger transaction that benefited other State universities, but only minimally impacted OHSU.

The total amount outstanding for debt assigned to OHSU under the DSPA and TIC as of June 30, 2021 and 2020 are \$25,369 and \$26,084. These balances are included in long-term debt in the statements of net position. Payments under the terms of the DSPA and TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

City of Portland Local Improvement District Agreements

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LIDs debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2021 and 2020 are \$11,396 and \$13,251, respectively, and have been included in long-term debt in the statements of net position.

(d) Lines of Credit

Pursuant to the First Amendment to Credit Agreement dated April 13, 2021 between OHSU and U.S. Bank National Association, OHSU entered into a revolving line of credit with U.S. Bank National Association in an aggregate principal not to exceed \$100,000. The credit agreement has a maturity date within one year ending on April 12, 2022. Interest is payable on a monthly basis and interest rates are variable based on the one-month LIBOR rate and an applicable spread. The line of credit is subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on the loan when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures.

Previously, OHSU obtained two revolving lines of credit on April 14, 2020 in the amounts of \$100,000 and \$50,000, respectively, with both credit agreements having a maturity date within one year ending on April 13, 2021. These lines of credit were established to provide short-term operational flexibility in connection with OHSU's ongoing efforts to respond to the COVID-19 pandemic. Upon the execution of

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the First Amendment to Credit Agreement on April 13, 2021, OHSU now only has a single line of credit available with U.S. Bank National Association in the amount of \$100,000. As of June 30, 2021, OHSU has not drawn its line of credit.

(e) Unamortized Bond Premiums and Discounts

OHSU has issued bonds at a premium and bonds at a discount. The premium and discount are amortized over the life of the bond and the unamortized balances are included in long-term debt in the statements of net position. The unamortized net premium balances as of June 30, 2021 and June 30, 2020 are \$59,981 and \$67,396.

(f) Interest Rate Swap Agreement

As of June 30, 2021 and 2020, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2021 and 2020 are as follows:

	Notional		Fair value	
	2021	2020	2021	2020
Wells Fargo swap	\$ 70,200	70,200	(17,315)	(26,699)
	\$ 70,200	70,200	(17,315)	(26,699)

The notional amount of the outstanding swap with Wells Fargo Bank, NA declines over time and terminates on July 1, 2042. OHSU's interest rate swap agreement with Wells Fargo Bank, NA was established when OHSU entered into an International Swaps and Derivatives Association swap novation in fiscal year 2016.

Under the swap agreement with Wells Fargo Bank, NA, OHSU makes fixed rate interest payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total net cash payments made to the swap counterparty were \$1,694 and \$1,030 during the years ended June 30, 2021 and 2020, respectively.

On December 19, 2019, OHSU refunded the Series 2012B-3 and Series 2015A Bonds, which were the assigned hedges under the interest rate swap. As of June 30, 2021, the outstanding interest rate swap has no assigned hedges and is not associated with any variable rate debt.

The companion debt instrument for the interest rate swap and deferred amortization of debt instruments were adjusted based on the market value of the swap on the date of the termination of the related hedge assignments. The value of the companion debt instrument is \$13,763 and \$14,815 as of June 30, 2021 and 2020, respectively. The deferred amortization of debt instruments is \$6,091 and \$7,342 as of June 30, 2021 and 2020, respectively. OHSU continues to amortize both the companion debt instrument and the deferred amortization of debt instruments. In addition, without the hedged debt

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associated with the swap, the change in market value of the interest rate swap, as determined after the date of debt refinancing, is now recorded to an unrealized gain or loss. In fiscal year 2021, OHSU recorded an unrealized gain of \$9,384 for the swap. In the previous fiscal year 2020, OHSU recorded an unrealized loss of \$11,884 for the swap.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2021 and 2020, the counterparties' long-term credit ratings were A+ from Standard & Poor's, Aa2 from Moody's, and AA- from Fitch. Additionally, the swap exposes OHSU to basis risk, which is the risk that arises when the relationship between the rates on the variable rate bonds and the swap formulas noted above vary from historical norms. If this occurs, swap payments received by OHSU may not fully offset its bond interest payments.

OHSU may be additionally responsible for posting collateral based on its credit ratings and if the total swap liability exceeds a predetermined value on its reporting date. Based on current credit ratings for OHSU and the current market value of the swap, OHSU is not required to post any collateral at this time.

OHSU or the counterparty may terminate the swap if the other party fails to perform under the terms of the contracts. The swap has the option of early termination with a cash settlement.

(g) Capital Leases

OHSU has entered into agreements for the lease of certain equipment and vehicles. Amortization of the capitalized value of these assets is included in depreciation and amortization expense on the statements of revenues, expenses, and changes in net position. Future minimum lease payments under these agreements are as follows:

Year ending June 30:	
2022	1,284
2023	348
2024	302
2025	269
2026	135
2027 - 2031	—
	<hr/>
	2,338
Less amount representing interest	(136)
	<hr/>
	2,202
Less current portion	(1,234)
	<hr/>
	\$ 968
	<hr/> <hr/>

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(h) Summary of Long-Term Debt, Bonds, and Capital Leases

Long-term debt and capital lease balances as of June 30, 2021 and 2020 are \$969,958 and \$997,395, respectively. As of June 30, 2021, the total long-term debt balance of \$969,958 includes the current portion of \$24,082 and the noncurrent portion of \$945,876. These balances comprises revenue bonds, direct placement and purchase rate bonds, other debt related to the DSPA, TIC and LID agreements, unamortized balances for bond premiums and discounts, and capital leases.

Principal and interest payments under the long-term debt obligations and capital leases are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year(s) ending June 30:			
2022	14,490	46,143	60,633
2023	23,389	35,710	59,099
2024	23,815	34,637	58,452
2025	24,623	33,681	58,304
2026	25,438	32,630	58,068
2032–2036	143,501	145,760	289,261
2037–2041	142,995	117,645	260,640
2042–2046	150,315	85,823	236,138
2047–2051	242,840	47,963	290,803
2051–2055	108,995	2,645	111,640
	<u>\$ 900,401</u>	<u>582,637</u>	<u>1,483,038</u>

(i) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2021 and 2020 is summarized below:

	<u>June 30, 2020 Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2021</u>	
				<u>Current Portion</u>	<u>Noncurrent Portion</u>
Liability for self-funded insurance programs	\$ 73,796	36,093	(22,382)	40,868	46,639
Liability for life income agreements	20,741	5,254	(2,503)	—	23,492
Long-term debt	995,408	1,620	(29,272)	22,848	944,908
Long-term capital leases	1,987	1,303	(1,088)	1,234	968
Other noncurrent liabilities	55,098	65,916	(32,881)	—	88,133
Pension liability	503,720	302,855	(211,264)	—	595,311
	<u>\$ 1,650,750</u>	<u>413,041</u>	<u>(299,390)</u>	<u>64,950</u>	<u>1,699,451</u>

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	June 30, 2019 Balance	Increases	Decreases	June 30, 2020	
				Current Portion	Noncurrent Portion
Liability for self-funded insurance programs	\$ 72,903	27,006	(26,113)	33,935	39,861
Liability for life income agreements	23,235	947	(3,441)	—	20,741
Long-term debt	973,506	356,904	(335,002)	22,476	972,932
Long-term capital leases	5,825	104	(3,942)	943	1,044
Other noncurrent liabilities	33,483	21,615	—	—	55,098
Pension liability	456,006	277,791	(230,077)	—	503,720
	<u>\$ 1,564,958</u>	<u>684,367</u>	<u>(598,575)</u>	<u>57,354</u>	<u>1,593,396</u>

(10) Life Income Fund – Annuities

Assets contributed as life income agreements are recorded at their fair value. The present value of estimated future payments to beneficiaries of annuity agreements is recorded as a liability. The present values of these estimated payments were determined on the basis of published actuarial factors for the ages of the respective annuity beneficiaries. Differences between the assets contributed and the expected payments to be made to beneficiaries have been recorded as donations in the year established.

Life income contributions, including gifts, grants, and contracts in the accompanying statements of revenues, expenses, and changes in net position, are as follows for the fiscal years ended June 30, 2021 and 2020:

	2021		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	\$ 781	2
Charitable lead unitrusts	7	1,805	1,045
Life estate agreements	1	535	55
Total	11	\$ 3,121	1,102

	2020		
	Agreements	Asset	Liability
Charitable remainder unitrusts	3	\$ 2,297	1,250
Charitable lead unitrusts	—	—	—
Charitable gift annuities	7	310	148
Total	10	\$ 2,607	1,398

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The assets and corresponding liabilities related to life income agreements are included in long-term investments, restricted, and the liability for life income agreements in the accompanying statements of net position.

Total life income instruments held at June 30, 2021 and 2020 are as follows:

	2021		
	Agreements	Asset	Liability
Charitable remainder unitrusts	47	\$ 22,405	6,958
Charitable lead unitrusts	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
Total	<u>223</u>	<u>\$ 62,679</u>	<u>23,492</u>
	2020		
	Agreements	Asset	Liability
Charitable remainder unitrusts	55	\$ 21,649	6,335
Charitable lead unitrusts	3	21,188	7,857
Charitable remainder trust annuities	1	93	67
Charitable gift annuities	178	10,170	5,906
Life estate agreements	3	977	576
Total	<u>240</u>	<u>\$ 54,077</u>	<u>20,741</u>

Thirteen charitable gift annuities, included above, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the future beneficiary payments are paid by the insurance carrier. To the extent the insurance carriers are unable to perform under the contract, OHSU would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundation is the named beneficiaries of 39 and 40 trusts held by outside trustees as of June 30, 2021 and 2020, respectively. The reported fair market value of trust assets held by others was \$59,500 and \$47,100 of the years ended June 30, 2021 and 2020, respectively. The Foundation record contributions as trust distributions occur. Trust distributions of \$1,800 and \$1,900 were recorded as contributions during the fiscal years ended June 30, 2021 and 2020, respectively.

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(12) Pledges and Estates Receivables

The Foundation had the following pledges and estates receivable as of June 30, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
Pledges maturing within 1 year	\$ 121,862	86,308
Pledges maturing within 2–10 years	252,048	323,229
	<u>373,910</u>	<u>409,537</u>
Less allowance for uncollectible pledges	(920)	(2,373)
	<u>372,990</u>	<u>407,164</u>
Less discount for net present value	(9,542)	(14,711)
Total net pledges receivable	<u>363,448</u>	<u>392,453</u>
Estates receivable	6,512	15
Less allowance for uncollectible estates	(1)	(1)
Less discount for net present value (rates of 0.22% to 0.98%)	(239)	—
Total net estates receivable	<u>6,272</u>	<u>14</u>
Total pledges and estates receivable	<u>\$ 369,720</u>	<u>392,467</u>

(13) Commitments and Contingencies**(a) Liability for Self-Funded Insurance Programs**

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are \$4,650 per claim with an annual aggregate of \$17,500 for professional liability and \$3,000 per claim for general liabilities.

Coverage for the directors' and officers' liability and employment practices liability deductible is also provided through OHSU Insurance Company. Current coverage limits for claims made on or after July 1, 2014 are \$1,000 for each and every claim.

Coverage for the cyber liability deductible is also provided through OHSU Insurance Company. The coverage limit for cyber liability is \$250 for each and every claim.

Excess coverage and reinsurance is provided by a variety of insurers for claims that may exceed these limits. Coverage is written on a claims-made basis.

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OHSU has contracted with independent actuaries to estimate the ultimate costs of settlement related to the coverage provided by OHSU Insurance Company. The liabilities are discounted at 1.5% in 2021 and 1.5% in 2020 and, in management's opinion, provide an adequate reserve for loss contingencies.

In December 2007, the Oregon Supreme Court found unconstitutional certain provisions of the Oregon Tort Claims Act (OTCA) that limited OHSU's liability for the acts of its employees and agents in large damages cases.

Effective July 1, 2009, the OTCA was amended by Senate Bill 311 for events occurring on or after December 28, 2007. The new OTCA limits are as follows:

Date of event	New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	\$ 1,600	3,200
07/01/2011–06/30/2012	1,700	3,400
07/01/2012–06/30/2013	1,800	3,600
07/01/2013–06/30/2014	1,900	3,800
07/01/2014–06/30/2015	2,000	4,000
07/01/2015–06/30/2016	2,048	4,096
07/01/2016–06/30/2017	2,074	4,147
07/01/2017–06/30/2018	2,118	4,236
07/01/2018–06/30/2019	2,182	4,363
07/01/2019–06/30/2020	2,247	4,494
07/01/2020–06/30/2021	2,308	4,615

The impact of this decision has been included in the liability for self-funded insurance programs in the accompanying financial statements.

In September 2013, a judgment was awarded against OHSU in a professional liability case that was in excess of the OTCA, which limits OHSU's and other Oregon public body's liability for the acts of its employees and agents. OHSU disbursed the sum of \$3,000, the amount of the tort cap in place at the date of the event. In May 2016, the Oregon Supreme Court affirmed the OTCA in this case.

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 36.5% and 31.4% as of June 30, 2021 and 2020, respectively.

The OHSU Project Co., LLC's sole purpose is to purchase casualty stop-loss insurance from OHSU Insurance Company for the benefit of its members. Each provider is entitled to coverage equal to its

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percentage membership interest in the limited liability company. The contracted payor effectuated the health insurance products entering into a provider-networking contract with OHSU Project Co., LLC.

Inso provides to OHSU Project Co., LLC medical aggregate excess of loss coverage for its share of the medical loss ratio (MLR) risk and cedes a portion of the risk to Swiss Re. Should MLR deteriorate sufficiently so as to trigger the risk ceded to Swiss Re, then Swiss Re will be liable for 90% of OHSU Project Co., LLC's risk share, subject to a maximum liability of \$1,500 with the 10% retention staying with OHSU Insurance Company.

On January 1, 2006, workers compensation coverage for all employees was placed with the SAIF Corporation in accordance with statutory requirements. The State Accident Insurance Fund also provides Employers Liability coverage in the amount of \$500, without retention. The State Accident Insurance Fund policy was written as a paid loss retrospective plan until July 1, 2017 at which time it converted its coverage to a guaranteed cost plan. This paid premium is an estimate and varies with audited payroll. In addition, the State Accident Insurance Fund bills monthly for the prior year's claims paid losses. (2006 to June 2017), adding a 16.5% loss conversion factor to the paid loss costs. Six months after the policy term, and every 12 months thereafter, a retrospective evaluation is completed (for years 2006 to June 2017) to determine any additional amounts to be paid, including outstanding reserves, for claims relating to the policy year.

(b) Unemployment Compensation

Unemployment compensation claims are administered by the Oregon Employment Division pursuant to Oregon Revised Statutes. The estimated amount of future benefits payments to claimants and the resulting liability to OHSU have been reflected as accrued salaries, wages, and benefits in the accompanying statements of net position.

(c) Employee Health Programs

OHSU is self-insured for its risk of loss related to costs to insure its employees for medical, dental, and vision coverage. OHSU has utilized a third-party actuary to assist in the estimation of its liability for the employee health programs related to claims payable and those claims incurred but not yet paid or reported of approximately \$23,756 and \$19,240 as of June 30, 2021 and 2020, respectively. These amounts are included in current portion of self-funded insurance program liabilities in the accompanying statements of net position.

(d) Labor Organizations

As of fiscal year-end June 30, 2021, approximately 53.9% of OHSU's employees are represented by labor organizations: 15.0% of OHSU's employees are nurses represented by the ONA, 38.8% of OHSU's employees are represented by the AFSCME, and less than 1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2023. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2024.

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(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately \$35,129 and \$34,136 at June 30, 2021 and 2020, respectively. These commitments will be primarily funded from gifts, grants, funds held by trustee, and other investment accounts.

(f) Legal Proceedings

The healthcare industry and academic medical centers are subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not limited to, laws and regulations related to licensure, accreditation, government health program participation, reimbursement for patient services, Medicare and Medicaid fraud and abuse, and laws and regulations governing the conduct of federally funded research, research involving human and animal subjects, and other facets of research. Government monitoring and enforcement activity continues with respect to possible violations of fraud and abuse laws and regulations and other laws and regulations applicable to healthcare providers and healthcare institutions, including academic medical centers. Violations of these laws and regulations could result in expulsion from government healthcare programs, together with the imposition of significant fines and penalties and repayments for patient services previously billed. Management believes OHSU is in compliance with applicable fraud and abuse laws and regulations, as well as other applicable government laws and regulations.

OHSU's compliance with the referenced laws and regulations may be subject to current or future government review and interpretation, as well as regulatory actions unknown or unasserted at this time.

OHSU is involved in litigation and is periodically the subject of regulatory inquiries in the normal course of its business. In past years, OHSU was subject to several federal healthcare audits as a part of national initiatives targeting large numbers of hospitals and academic medical centers and was the subject of government-issued subpoenas and postpayment reviews concerning specific OHSU billing practices. OHSU responded to these audits, subpoenas, and reviews, and these matters were resolved or are expected to be resolved without material adverse effect on OHSU's financial position, changes in financial position, or liquidity.

(g) Operating Leases

Leases that do not meet the criteria for capitalization are classified as operating leases, with the related rentals charged to operations as incurred.

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Rental expenses under operating leases were approximately \$19,107 and \$21,582 in 2021 and 2020, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2021 and 2020 that have initial or remaining lease terms in excess of one year:

Year ending June 30:	
2022	15,446
2023	13,386
2024	10,527
2025	9,860
2026	9,523
Thereafter	18,702
	\$ 77,444

(h) Tuality Health Affiliation

On February 1, 2016, OHSU affiliated with Tuality Healthcare (Tuality) through the execution of a management agreement (the Tuality Agreement) between the organizations. Under the Tuality Agreement, OHSU agrees to oversee the unified and integrated clinical enterprises of OHSU and Tuality as a single, integrated economic unit. OHSU and Tuality remain as separate entities, own their own assets, and continue to be the licensed operators of their own facilities. Per the agreement, OHSU has guaranteed Tuality’s operating income and will provide operating cash flow support. The initial term of the Tuality Agreement is 20 years and it may be renewed or extended by written agreement of the parties. The Tuality Agreement is subject to termination in the event of material breaches of the agreement or for certain other reasons specified in the Tuality Agreement.

After February 1, 2016, OHSU guarantees operating income support in the following manner: to the extent Tuality incurs an operating loss for any fiscal year, OHSU will provide operating support in the form of a cash payment to Tuality in an amount equal to the operating loss, which will result in Tuality’s operating income being equal to zero. OHSU may recoup prior payments for operating support from Tuality’s positive operating cash flow generated in future fiscal years as specified in the Tuality Agreement.

If in any fiscal year, Tuality’s operating cash flow, defined in the Tuality Agreement as operating income plus depreciation less regular principal payments on long-term debt and less capital spending, is negative, OHSU will provide Tuality a capital advance in the form of a cash payment to bring Tuality’s operating cash flow to a balance of zero. The capital advance will be recorded on Tuality’s financial statements as a payable to OHSU, and on OHSU’s financial statements as a receivable from Tuality, subject to any required reserves for estimates of collectibility. Such capital advances will not bear interest and will be repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement.

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For fiscal years 2021 and 2020, operating income support amounted to \$746 and \$25,321, respectively. The operating cash flow capital advance, recorded as a note receivable, in other noncurrent assets on the statements of net position, was \$0 and \$4,036 for the years ended June 30, 2021 and 2020, respectively. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of \$19,591 against the note receivable under other noncurrent assets as of June 30, 2021. The total note receivable as of June 30, 2021 was \$19,591.

(i) Adventist Health

On January 1, 2018, OHSU and Adventist Health entered into a Health System agreement, an operating agreement and an academic affiliation agreement. Under this affiliation, OHSU and Adventist Health will operate as a unified clinical system with a shared bottom line. The affiliation applies to OHSU's Portland-area clinical services and activities and Adventist Health Portland, which includes the 302-bed Adventist Health Portland Medical Center and its 34 affiliated clinics and home care and hospice services in the Portland-Vancouver metro area. The other 19 Adventist Health hospitals in the western United States are excluded from the agreements. Each organization will retain its existing hospital licenses, capital assets, and employees and will not join each other's master trust indenture obligated group or otherwise guarantee each other's outstanding debt.

Each entity will continue to maintain its individual mission and culture but will together strive to transform access and the delivery of healthcare to Oregonians through a unified clinical enterprise and shared brand experience. A board of managers comprising representatives from each organization has been created to oversee the system.

The initial term of the Adventist agreement is 20 years and it may be renewed or extended by written agreement of the parties, and the agreement is subject to termination in the event of material breaches or for certain other reasons specified in the agreement.

OHSU and Adventist Health's allocation amount is determined by multiplying the consolidated Metro Health System net operating results by such party's proportional allocation percentage, including the amount of such party's total capital charges (for the same period for which such allocation amount is determined). The result shall equal the party's net share of the Metro Health System earnings before interest, depreciation, and amortization (EBIDA).

OHSU and Adventist's net share for each period shall be compared to each party's actual metro clinical enterprise adjusted EBIDA for the same period. OHSU and Adventist Health agree that if a party's net share for a period is less than such party's metro clinical enterprise adjusted EBIDA for such period, such party shall pay to the other party the amount of the difference (net share payment). OHSU and Adventist agree that if a party's net share for a period is more than such party's metro clinical enterprise adjusted EBIDA for the same period, such party shall receive from the other party a payment in the amount of the difference (net share receivable).

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For fiscal years 2021 and 2020, support payments to/(from) Adventist amounted to (\$4,180) and \$10,000 per year. For FY20, the net share payment cap was met. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid \$1,408 and \$992 for physician recruitments in fiscal year 2021 and 2020, respectively.

(14) Blended Component Units

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

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	\$ 1,284,286	7,056	170,524	(60,507)	1,401,359
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,055,819	—	168	—	2,055,987
Other noncurrent assets	1,170,196	87,474	1,636,954	—	2,894,624
Total noncurrent assets	3,226,015	87,474	1,637,122	—	4,950,611
Total assets	4,510,301	94,530	1,807,646	(60,507)	6,351,970
Deferred outflow s	234,013	—	—	—	234,013
Total assets and deferred outflow s	\$ 4,744,314	94,530	1,807,646	(60,507)	6,585,983
Liabilities:					
Current liabilities	\$ 620,834	599	73,972	(60,507)	634,898
Noncurrent liabilities	1,626,822	45,816	26,813	—	1,699,451
Total liabilities	2,247,656	46,415	100,785	(60,507)	2,334,349
Deferred inflow s	49,024	—	104,542	—	153,566
Net position:					
Net investment in capital assets	1,232,634	—	168	—	1,232,802
Restricted, expendable	98,358	—	703,563	—	801,921
Restricted, nonexpendable	—	—	304,696	—	304,696
Unrestricted	1,116,642	48,115	593,892	—	1,758,649
Total net position	2,447,634	48,115	1,602,319	—	4,098,068
Total liabilities, deferred inflow s, and net position	\$ 4,744,314	94,530	1,807,646	(60,507)	6,585,983

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	2020						Total combined
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	
Assets:							
Current assets	\$ 1,337,730	9,685	12,014	106,396	5,354	(61,164)	1,410,015
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,102,981	—	506	104	—	—	2,103,591
Other noncurrent assets	757,729	73,288	—	1,313,065	87,383	—	2,231,465
Total noncurrent assets	2,860,710	73,288	506	1,313,169	87,383	—	4,335,056
Total assets	4,198,440	82,973	12,520	1,419,565	92,737	(61,164)	5,745,071
Deferred outflow s	206,985	—	—	—	—	—	206,985
Total assets and deferred outflow s	\$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056
Liabilities:							
Current liabilities	\$ 602,148	964	4,193	65,207	708	(61,164)	612,056
Noncurrent liabilities	1,532,974	36,900	49	21,874	1,599	—	1,593,396
Total liabilities	2,135,122	37,864	4,242	87,081	2,307	(61,164)	2,205,452
Deferred inflow s	59,858	—	—	79,481	1,923	—	141,262
Net position:							
Net investment in capital assets	1,254,101	—	—	104	—	—	1,254,205
Restricted, expendable	91,070	—	—	570,307	21,737	—	683,114
Restricted, nonexpendable	—	—	—	264,179	31,747	—	295,926
Unrestricted	865,274	45,109	8,278	418,413	35,023	—	1,372,097
Total net position	2,210,445	45,109	8,278	1,253,003	88,507	—	3,605,342
Total liabilities, deferred inflow s, and net position	\$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056

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Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2021 and 2020 is as follows:

	University	INSCO	2021 OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	\$ 2,595,048	—	—	—	2,595,048
Student tuition and fees, net	82,770	—	—	—	82,770
Gifts, grants, and contracts	715,430	—	72,576	(84,941)	703,065
Other revenue	225,407	21,279	1,322	(22,617)	225,391
Total operating revenues	3,618,655	21,279	73,898	(107,558)	3,606,274
Operating expenses:					
Salaries, wages, and benefits	2,150,917	—	15,097	—	2,166,014
Defined-benefit pension	113,695	—	—	—	113,695
Services, supplies, and other	1,183,211	19,109	105,196	(112,739)	1,194,777
Depreciation and amortization	178,888	—	84	—	178,972
Interest	32,990	—	—	—	32,990
Total operating expenses	3,659,701	19,109	120,377	(112,739)	3,686,448
Operating income (loss)	(41,046)	2,170	(46,479)	5,181	(80,174)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	147,231	835	291,733	—	439,799
State appropriations	44,243	—	—	—	44,243
CARES Act grant	72,593	—	—	—	72,593
Other	(72)	—	4,205	—	4,133
Total nonoperating revenues (expenses), net	263,995	835	295,938	—	560,768
Net income (loss) before other changes in net position	222,949	3,005	249,459	5,181	480,594
Other changes in net position:					
Contributions for capital and other Nonexpendable donations	5,964	—	—	(5,181)	783
	—	—	11,349	—	11,349
Total other changes in net position	5,964	—	11,349	(5,181)	12,132
Total increase (decrease) in net position	228,913	3,005	260,808	—	492,726
Net position— beginning of year	2,218,721	45,110	1,341,511	—	3,605,342
Net position— end of year	\$ 2,447,634	48,115	1,602,319	—	4,098,068

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	2020						Total combined
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	
Operating revenues:							
Patient service revenue	\$ 2,375,275	—	—	—	—	—	2,375,275
Student tuition and fees, net	77,305	—	—	—	—	—	77,305
Gifts, grants, and contracts	698,157	—	—	71,318	13,936	(118,765)	664,646
Other revenue	197,448	22,576	18,622	1,976	115	(44,842)	195,895
Total operating revenues	3,348,185	22,576	18,622	73,294	14,051	(163,607)	3,313,121
Operating expenses:							
Salaries, wages, and benefits	2,013,525	—	13,574	14,578	—	—	2,041,677
Defined-benefit pension	109,907	—	—	—	—	—	109,907
Services, supplies, and other	1,145,469	14,443	5,612	122,420	14,004	(167,334)	1,134,614
Depreciation and amortization	176,524	—	93	83	—	—	176,700
Interest	36,656	—	—	—	—	—	36,656
Total operating expenses	3,482,081	14,443	19,279	137,081	14,004	(167,334)	3,499,554
Operating income (loss)	(133,896)	8,133	(657)	(63,787)	47	3,727	(186,433)
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	56,148	5,784	1	19,823	1,122	—	82,878
State appropriations	39,581	—	—	—	—	—	39,581
CARES Act grants	37,859	—	—	—	—	—	37,859
Other	(12,088)	—	—	623	(1,070)	—	(12,535)
Total nonoperating revenues (expenses), net	121,500	5,784	1	20,446	52	—	147,783
Net income (loss) before other changes in net position	(12,396)	13,917	(656)	(43,341)	99	3,727	(38,650)
Other changes in net position:							
Contributions for capital and other Nonexpendable donations	7,088	—	—	—	—	(3,727)	3,361
	—	—	—	19,794	1,638	—	21,432
Total other changes in net position	7,088	—	—	19,794	1,638	(3,727)	24,793
Total increase (decrease) in net position	(5,308)	13,917	(656)	(23,547)	1,737	—	(13,857)
Net position – beginning of year	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Net position – end of year	\$ 2,210,444	45,109	8,278	1,253,004	88,507	—	3,605,342

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Condensed combining information related to cash flows for the years ended June 30, 2021 and 2020 is as follows:

	2021					Total combined
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications		
Net cash provided by (used in) operating activities	\$ 218,031	12,240	(36,157)	—		194,114
Net cash provided by noncapital financing activities	94,365	—	19,464	—		113,829
Net cash provided by (used in) capital and related financing activities	(191,191)	—	(48)	—		(191,239)
Net cash provided by (used in) investing activities	(126,707)	(14,005)	36,840	—		(103,872)
Net change in cash and cash equivalents	(5,502)	(1,765)	20,099	—		12,832
Cash and cash equivalents, beginning of year	394,366	5,115	23,261	—		422,742
Cash and cash equivalents, end of year	\$ 388,864	3,350	43,360	—		435,574

	2020						
	University	INSCO	UMG	OHSU Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	\$ 269,656	11,278	307	(79,467)	1,598	—	203,372
Net cash provided by noncapital financing activities	81,039	—	—	1,893	91	—	83,023
Net cash provided by (used in) capital and related financing activities	(222,863)	—	(123)	(20)	—	—	(223,006)
Net cash provided by (used in) investing activities	206,778	(10,248)	—	76,168	(360)	—	272,338
Net change in cash and cash equivalents	334,610	1,030	184	(1,426)	1,329	—	335,727
Cash and cash equivalents, beginning of year	49,809	4,085	9,763	20,611	2,747	—	87,015
Cash and cash equivalents, end of year	\$ 384,419	5,115	9,947	19,185	4,076	—	422,742

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(15) Coronavirus Impacts

On March 11, 2020, the World Health Organization declared the Novel Coronavirus Disease Outbreak a global pandemic and shortly following a national emergency declaration concerning the COVID-19 outbreak was enacted. In response to COVID-19, and guidance from state and local public health authorities, OHSU began modified operations in mid-March 2020 and continues to operate under some level of modified operations through the fiscal year ending June 30, 2021.

The impacts of the current COVID-19 pandemic continue to present risks and uncertainties in all missions across OHSU. Depending on the magnitude of such effects, OHSU may be affected by changes in patient payor mix, reduced volume in patient activities and additional costs to operate in a COVID-19 environment.

In fiscal year 2021, the CARES Act grant funding and loan programs, such as Medicare Advance Payment Program and FICA deferrals, continue to provide relief to addressing the losses incurred as a result of the pandemic, however, OHSU cannot reasonably estimate the length or severity of this pandemic, or to the extent it may materially impact OHSU's financial position, results of operations and cash flows in the future.

OHSU continues to build strategies and policies and take actions to proactively manage evolving developments, and to aggressively pursue additional relief measures and funding provided through federal and state programs.

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Required Supplementary Information – Unaudited
OHSU's Proportionate Share of the Net Pension (Asset) Liability and Related Ratios

(Dollar amounts in thousands)

Defined-benefit pension plan¹	2021	2020	2019	2018	2017	2016
OHSU's proportion of the net pension (asset) liability (rounded)	2.73 %	2.91 %	3.01 %	3.51 %	3.51 %	3.98 %
OHSU's proportionate share of the net pension (asset) liability	\$ 595,311	503,720	456,006	424,000	526,200	228,337
Covered payroll	340,369	330,868	323,343	337,473	326,959	345,363
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll	<u>174.90 %</u>	<u>152.24 %</u>	<u>141.03 %</u>	<u>125.64 %</u>	<u>160.94 %</u>	<u>66.12 %</u>
Plan fiduciary net position as a percentage of the total pension liability	75.80 %	80.20 %	82.10 %	83.10 %	80.50 %	91.90 %

¹ Ten-year trend information will be presented prospectively.

Required Supplementary Information – Unaudited
Schedule of Defined-Benefit Pension Plan Contributions

(Dollars in thousands)

Year ended June 30¹	2021	2020	2019	2018	2017	2016
Contractually required contributions	\$ 48,333	50,841	37,919	37,087	30,809	31,353
Contributions in relation to the contractually required contributions	58,333	60,841	47,919	47,087	30,809	31,353
Contribution excess	<u>\$ (10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	—	—
OHSU's covered payroll	\$ 330,673	340,369	330,868	323,343	337,473	326,959
Contributions as a percentage of covered payroll	17.64 %	17.88 %	14.48 %	14.56 %	9.13 %	9.59 %

¹ Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2021 with comparative totals for June 30, 2020

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Current assets:							
Cash and cash equivalents	\$ 335,373	56,841	392,214	43,360	—	435,574	422,742
Short-term Investments	83,773	20,645	104,418	3	—	104,421	253,989
Current portion of funds held by trustee	25,218	11,541	36,759	—	—	36,759	38,062
Patients accounts receivable, net of bad debt allowances of \$2,518 and \$1,528 – in 2021 and 2020	459,013	871	459,884	—	—	459,884	390,926
Student receivables	—	27,025	27,025	—	—	27,025	28,644
Grant and contract receivable	—	62,900	62,900	—	—	62,900	61,970
Current portion of pledges and estates receivable	—	—	—	121,502	—	121,502	85,605
Other receivables, net	43,875	65,665	109,540	5,048	(60,353)	54,235	46,087
Inventories, at cost	54,428	3,862	58,290	—	—	58,290	49,223
Prepaid expenses	13,915	26,243	40,158	611	—	40,769	32,767
Total current assets	<u>1,015,595</u>	<u>275,593</u>	<u>1,291,188</u>	<u>170,524</u>	<u>(60,353)</u>	<u>1,401,359</u>	<u>1,410,015</u>
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,056,665	999,154	2,055,819	168	—	2,055,987	2,103,591
Funds held by trustee – less current portion	8,461	1,721	10,182	—	—	10,182	13,252
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	68,638	68,638	778,041	—	846,679	652,633
Long-term investments, unrestricted	889,736	249,802	1,139,538	607,235	—	1,746,773	1,214,736
Total long-term investments	<u>889,736</u>	<u>318,440</u>	<u>1,208,176</u>	<u>1,385,276</u>	<u>—</u>	<u>2,593,452</u>	<u>1,867,369</u>
Prepaid financing costs, net	1,079	405	1,484	—	—	1,484	1,705
Pledges and estates receivable – less current portion	—	—	—	248,218	—	248,218	306,862
Restricted postemployment benefit asset	—	4,328	4,328	—	—	4,328	6,200
Other noncurrent assets	—	—	—	3,460	—	3,460	2,577
Interest in the Foundations	—	1,602,319	1,602,319	—	(1,602,319)	—	—
Total noncurrent assets	<u>1,955,941</u>	<u>2,959,867</u>	<u>4,915,808</u>	<u>1,637,122</u>	<u>(1,602,319)</u>	<u>4,950,611</u>	<u>4,335,056</u>
Total assets	<u>2,971,536</u>	<u>3,235,460</u>	<u>6,206,996</u>	<u>1,807,646</u>	<u>(1,662,672)</u>	<u>6,351,970</u>	<u>5,745,071</u>
Deferred outflows:							
Deferred amortization of derivative instruments	3,399	2,692	6,091	—	—	6,091	7,342
Loss on refunding of debt	24,357	3,437	27,794	—	—	27,794	30,197
Pension obligation	—	189,745	189,745	—	—	189,745	160,050
Goodwill	348	—	348	—	—	348	435
Other postemployment benefits (OPEB) obligation	—	10,035	10,035	—	—	10,035	8,961
Total deferred outflows	<u>28,104</u>	<u>205,909</u>	<u>234,013</u>	<u>—</u>	<u>—</u>	<u>234,013</u>	<u>206,985</u>
Total assets and deferred outflows	<u>\$ 2,999,640</u>	<u>3,441,369</u>	<u>6,441,009</u>	<u>1,807,646</u>	<u>(1,662,672)</u>	<u>6,585,983</u>	<u>5,952,056</u>

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2021 with comparative totals for June 30, 2020

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Current liabilities:							
Current portion of long-term debt	\$ 15,648	7,200	22,848	—	—	22,848	22,476
Current portion of long-term capital leases	1,132	102	1,234	—	—	1,234	943
Current portion of self-funded insurance programs liability	—	40,868	40,868	—	—	40,868	33,935
Accounts payable and accrued expenses	94,680	62,978	157,658	14,085	—	171,743	154,540
Accrued salaries, wages, and benefits	29,577	89,671	119,248	—	—	119,248	106,188
Compensated absences payable	47,706	28,726	76,432	—	—	76,432	68,996
Unearned revenue	5,543	76,288	81,831	—	—	81,831	74,543
Unearned/Medicare Advance Payment	111,948	6,472	118,420	—	—	118,420	145,975
Other Current Liabilities	2,412	328	2,740	59,887	(60,353)	2,274	4,460
Total current liabilities	308,646	312,633	621,279	73,972	(60,353)	634,898	612,056
Noncurrent liabilities:							
Long-term debt – less current portion	623,658	321,250	944,908	—	—	944,908	972,932
Long-term capital leases – less current portion	876	92	968	—	—	968	1,044
Liability for self-funded insurance programs – less current portion	—	46,639	46,639	—	—	46,639	39,861
Liability for life income agreements	—	—	—	23,492	—	23,492	20,741
Pension Liability	—	595,311	595,311	—	—	595,311	503,720
Other noncurrent liabilities	20,932	63,880	84,812	3,321	—	88,133	55,098
Total noncurrent liabilities	645,466	1,027,172	1,672,638	26,813	—	1,699,451	1,593,396
Total liabilities	954,112	1,339,805	2,293,917	100,785	(60,353)	2,334,349	2,205,452
Deferred inflows:							
Deferred amortization of derivative instruments	—	—	—	—	—	—	—
Gain on refunding of debt	681	610	1,291	—	—	1,291	1,546
Life income agreements	—	—	—	39,087	—	39,087	33,269
Pending Funds	—	—	—	65,455	—	65,455	48,135
Pension obligation	—	46,214	46,214	—	—	46,214	56,018
Other Postemployment Benefits (OPEB) obligation	—	1,519	1,519	—	—	1,519	2,294
Total Deferred Inflows	681	48,343	49,024	104,542	—	153,566	141,262
Net position:							
Investments in capital assets	463,997	768,805	1,232,802	—	—	1,232,802	1,254,205
Restricted, expendable	—	801,921	801,921	703,563	(703,563)	801,921	683,114
Restricted, nonexpendable	—	304,696	304,696	304,696	(304,696)	304,696	295,926
Unrestricted	1,580,850	177,799	1,758,649	594,060	(594,060)	1,758,649	1,372,097
Total net position	2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342
Total liabilities, deferred inflows, and net position	\$ 2,999,640	3,441,369	6,441,009	1,807,646	(1,662,672)	6,585,983	5,952,056

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

Consolidated Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2021 and 2020

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2021	2020
Operating revenues:							
Patient service revenue, net of bad debt adjustments of \$6,310 and \$12,112 – in 2021 and 2020, respectively	\$ 2,130,207	464,841	2,595,048	—	—	2,595,048	2,375,275
Student tuition and fees, net	—	82,770	82,770	—	—	82,770	77,305
State appropriations	1,382	42,861	44,243	—	(44,243)	—	—
Gifts, grants, and contracts	35,184	680,246	715,430	72,576	(84,941)	703,065	664,646
Other	183,488	42,888	226,376	1,322	(2,307)	225,391	195,895
Research and education support	(144,250)	144,250	—	—	—	—	—
Total operating revenues	2,206,011	1,457,856	3,663,867	73,898	(131,491)	3,606,274	3,313,121
Operating expenses:							
Salaries, wages, and benefits	992,747	1,158,170	2,150,917	15,097	—	2,166,014	2,041,677
Defined-benefit pension	—	113,695	113,695	—	—	113,695	109,907
Services, supplies, and other	929,687	252,323	1,182,010	105,196	(92,429)	1,194,777	1,134,614
Depreciation and amortization	96,106	82,782	178,888	84	—	178,972	176,700
Interest	20,157	12,833	32,990	—	—	32,990	36,656
Total operating expenses	2,038,697	1,619,803	3,658,500	120,377	(92,429)	3,686,448	3,499,554
Operating income (loss)	167,314	(161,947)	5,367	(46,479)	(39,062)	(80,174)	(186,433)
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	101,291	46,775	148,066	291,733	—	439,799	82,878
State appropriations	—	—	—	—	44,243	44,243	39,581
CARES Act grants	71,501	1,092	72,593	—	—	72,593	37,859
Other	(465)	393	(72)	4,205	—	4,133	(12,535)
Total nonoperating revenues (expenses), net	172,327	48,260	220,587	295,938	44,243	560,768	147,783
Net income (loss) before contributions for capital and other	339,641	(113,687)	225,954	249,459	5,181	480,594	(38,650)
Other changes in net position:							
Contributions for capital and other	10,555	(4,590)	5,965	—	(5,182)	783	3,361
Change in interest in the Foundation	—	260,807	260,807	—	(260,807)	—	—
Nonexpendable donations	—	—	—	11,349	—	11,349	21,432
Total other changes in net position	10,555	256,217	266,772	11,349	(265,989)	12,132	24,793
Total increase (decrease) in net position	350,196	142,530	492,726	260,808	(260,808)	492,726	(13,857)
Net position – beginning of year	1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199
Net position – end of year	\$ 2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY
 Nongovernmental Discretely Presented Component Units
 Combined Balance Sheet
 As of June 30, 2021
 (Dollars in thousands)

Assets	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Current assets:			
Cash and cash equivalents	\$ 15,812	23,007	38,819
Short-term investments	624	3,110	3,734
Patient accounts receivable, net of allowance for uncollectible accounts of \$1,405,178 as of June 30, 2020	— 38,936	—	— 38,936
Due from related party	—	—	—
Other receivables	6,549	11,609	18,158
Supplies inventory	4,903	—	4,903
Prepaid expenses and other	2,442	—	2,442
Current portion of assets whose use is limited	1,010	—	1,010
Total current assets	<u>70,276</u>	<u>37,726</u>	<u>108,002</u>
Assets whose use is limited:			
Board-designated funds	41,246	—	41,246
Under bond indenture agreement – held by Trustee	1	—	1
Donor-restricted – specific purpose	6,888	—	6,888
Donor-restricted – endowment	2,761	—	2,761
Required for current liabilities	(1,010)	—	(1,010)
Total assets whose use is limited	<u>49,886</u>	<u>—</u>	<u>49,886</u>
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization	62,752	—	62,752
Other assets:			
Other receivables – noncurrent	1,307	—	1,307
Investments in unconsolidated affiliates	1,104	—	1,104
Deferred compensation plan	2,814	—	2,814
Cash value of life insurance	727	—	727
Deferred costs and other	230	—	230
Intangible assets	1,550	—	1,550
Goodwill	319	—	319
Total other assets	<u>8,051</u>	<u>—</u>	<u>8,051</u>
Total assets	<u>\$ 190,965</u>	<u>37,726</u>	<u>228,691</u>

OREGON HEALTH & SCIENCE UNIVERSITY
 Nongovernmental Discretely Presented Component Units
 Combined Balance Sheet
 As of June 30, 2021
 (Dollars in thousands)

Liabilities and Net Assets	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Current liabilities:			
Accounts payable	\$ 15,133	29,399	44,532
Accrued payroll and employee benefits	13,476	—	13,476
Due to related party	2,007	309	2,316
Deferred revenue	13,107	—	13,107
Estimated liabilities for Medicare and Medicaid settlements	423	—	423
Long-term debt due within one year	1,052	—	1,052
Accrued bond interest payable	86	—	86
Total current liabilities	45,284	29,708	74,992
Long-term liabilities:			
Long-term debt, net of amount due within one year	11,034	—	11,034
Liability for pension benefits	42,224	—	42,224
Other long-term liabilities	26,093	—	26,093
Total long-term liabilities	79,351	—	79,351
Total liabilities	124,635	29,708	154,343
Net assets:			
Net assets without donor restrictions	56,576	8,018	64,594
Net assets with donor restrictions	9,754	—	9,754
Total net assets	66,330	8,018	74,348
Total liabilities and net assets	\$ 190,965	37,726	228,691

See accompanying notes to independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY
 Nongovernmental Discretely Presented Component Units
 Combined Statements of Operations
 For the year ended June 30, 2021
 (Dollars in thousands)

	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Net patient service revenue	\$ 226,775	—	226,775
Other revenue:			
OHSU support	746	—	746
Other revenue	24,739	178,192	202,931
Total other revenue	25,485	178,192	203,677
Total revenue	252,260	178,192	430,452
Operating expenses:			
Salaries and wages	91,704	—	91,704
Employee benefits	23,271	—	23,271
Supplies and other expenses	93,015	169,575	262,590
Professional fees	31,947	—	31,947
Depreciation and amortization	8,291	—	8,291
Interest	718	—	718
Total operating expenses	248,946	169,575	418,521
Income (loss) from operations	3,314	8,617	11,931
Other non-operating income:			
Realized income on investments whose use is limited by board designation	222	—	222
Gain on investments in affiliated companies	2,303	—	2,303
Gain/(loss) on disposal of property and equipment	18	—	18
Change in net unrealized gains (losses) on investments	6,133	—	6,133
Other operating revenue	—	(600)	(600)
Total other income	8,676	(600)	8,076
Excess of revenue over expenses	11,990	8,017	20,007
Contributions for property and equipment acquisition	506	—	506
Pension-related changes	20,815	—	20,815
Increase (decrease) in net assets without donor restrictions	\$ 33,311	8,017	41,328

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY
 Nongovernmental Discretely Presented Component Units
 Combined Statements of Changes in Net Assets
 For the year ended June 30, 2021
 (Dollars in thousands)

	Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined
Net assets without donor restrictions:			
Excess of revenue over expenses	\$ 11,990	8,017	20,007
Contributions for property and equipment acquisition	506	—	506
Pension-related changes	20,815	—	20,815
Increase (decrease) in net assets without donor restrictions	33,311	8,017	41,328
Net assets with donor restrictions:			
Gifts, grants, and bequests	2,233	—	2,233
Investment (loss) income	1,793	—	1,793
Net assets released from restrictions	(1,539)	—	(1,539)
Contributions for endowment funds	2	—	2
Increase (decrease) in net assets with donor restrictions	2,489	—	2,489
Change in net assets	35,800	8,017	43,817
Net assets, beginning of year	30,531	—	30,531
Net assets, end of year	\$ 66,331	8,017	74,348

See accompanying independent auditors' report.