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

Financial Statements
and Supplementary Information

June 30, 2020 and 2019

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

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

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

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 unit of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2020 and 2019, 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 unit of the Oregon Health & Science University as of June 30, 2020 and 2019 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.

KPMG

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3 through 32 and the supplementary pension information on page 113, 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 an opinion on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1 and 2 on pages 114 through 116 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 and 2 is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 30, 2020

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, 2020 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, 2019 and June 30, 2018.

Financial Highlights

Beginning in March 2020, OHSU's financial results were significantly impacted by the Coronavirus (COVID-19) pandemic. See "Significant Events" below.

For management purposes, OHSU prepares internal financial statements using a single line "equity method" of reporting results of the OHSU Foundation and Doernbecher Children's Hospital Foundation. This method follows the "Total University" column on the combining financial statements included at the end of the financial statements, with gifts recorded when transferred from the Foundations 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 pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the following analysis (shown on the following table) of adjusted operating income 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, provider tax paid in fiscal year 2018 is netted from revenues, 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.

After rising 9.7% between fiscal years 2018 and 2019, the increase in OHSU's adjusted operating revenues slowed to 4.2% in 2020 as OHSU operations were significantly impacted by the COVID-19 pandemic beginning in March 2020. The growth in operating expenses did not slow toward the end of 2020, as OHSU guaranteed wages from March through June in order to protect its workforce and ensure stability of operations during the initial phases of the pandemic. This resulted in an adjusted operating loss of $(28) million in fiscal year 2020, compared to an adjusted gain of $176 million in 2019 and $138 million in 2018.

To put this in perspective, prior to modified operations in response to the onset of COVID-19, OHSU adjusted operating income for the eight months ended February 29, 2020 was $91 million, followed by a $(119) million adjusted operating loss over four months from March through June to arrive at the adjusted operating loss of $(28) million for the full fiscal year. Offsetting this loss, OHSU received $38 million from the CARES Act (Coronavirus Aid, Relief, and Economic Security Act), which has been recognized as nonoperating revenue. OHSU's adjusted EBITDA margin (which does not include the CARES Act support) was 5.5% in fiscal year 2020, compared to 12.1% in 2019 and 10.7% in 2018.

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

Years Ended June 30, 2020, 2019 and 2018

(Dollars in thousands)

		2020	2019	2018
Adjusted operating revenues, net of provider tax and before Knight Cancer Research Building funding	$	3,390,562	3,254,385	2,966,447
Salaries, benefits, services, and supplies, net of provider tax and accrual adjustments for pension		3,205,607	2,859,985	2,649,061
Depreciation, amortization, and interest		213,273	217,921	179,523
Adjusted operating expenses		3,418,880	3,077,906	2,828,584
Adjusted operating income (loss)		(28,318)	176,479	137,863
Knight Cancer Research Building funding		—	30,393	120,084
Accrual adjustments for pension benefits		(58,521)	(34,336)	(38,938)
Total University operating income (loss)		(86,839)	172,536	219,009
CARES Act funding		37,859	—	—
Investment and other nonoperating income		49,845	70,849	23,730
Total University net income		865	243,385	242,739
Contributions for capital and other		7,088	32,816	3,205
Change in interest in the Foundations		(21,810)	(24,293)	13,740
Total increase (decrease) in net position	$	(13,857)	251,908	259,684

On a Total University basis, net income, which includes adjusted operating income plus Knight Cancer Research Building funding, accrual adjustments for pension benefits, CARES Act revenue, investment return, and other nonoperating items, is a gain of $865 thousand for fiscal year 2020, compared to $243 million in each of 2019 and 2018.

The cumulative financial impact of COVID-19 through June 2020 is reflected in net position, which is the broadest measure of OHSU's financial strength: assets and deferred outflows, less liabilities and deferred inflows. In fiscal year 2020, net position decreased by $14 million or 0.4% to $3.6 billion. This follows two preceding years of increase in net position of $252 million or 7.5% in 2019 and $260 million or 8.4% in 2018, driven by strong operations and investments, as well as the State grant to the Knight Cancer Challenge.

OHSU is taking full advantage of the cash flow opportunities in the CARES Act for prepayment of Medicare revenues, provider relief fund, and deferral of FICA tax remittances. During fiscal year 2020, OHSU received $170 million in federal Medicare advances and deferral of FICA taxes that must be repaid, and $38 million in nonoperating revenue from the CARES Act.

OHSU's liquidity position remains strong despite the pandemic and market volatility. As of June 30, 2020, consolidated cash and investments, excluding funds held by trustee, totaled $2.54 billion, an increase of $176 million during fiscal year 2020. These funds include the $170 million of Medicare advances and FICA tax deferral referenced above as well as gift and endowment funds at the Foundation.

In December 2019 OHSU repositioned its $1 billion debt portfolio from 80% fixed rate / 20% variable rate to 100% fixed rate to reduce risk, take advantage of the reduction in long-term rates and capture present value savings. Subsequently, OHSU obtained $150 million in lines of credit from U.S. Bank to further supplement its liquidity position. OHSU has not drawn on these lines of credit as of June 30, 2020.

Significant Events

Pursuant to the national emergency declaration concerning the Novel Coronavirus Disease Outbreak, OHSU has been operating under federal, state, and local mandates, including a State of Emergency for Oregon declared by Governor Kate Brown in early March 2020, which extended through the fiscal year-end. As a result, OHSU began modified operations in March 2020 in response to COVID-19 and guidance from state and local public health authorities. Additionally, OHSU created the University Transition Taskforce (UTT) whose mission is to develop a holistic, institutional framework for all OHSU members, patients, and visitors that helps define the timeline, prioritize transition phases, and create protocols and standards for how to safely enter a new normal. The group's work covers all missions and its members are working closely with a number of mission-oriented taskforces and councils.

With the passing of several economic relief bills by Congress, signed into law in March and April 2020, to appropriate supplemental emergency funding in response to the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Security Act (H.R. 748), Coronavirus Preparedness and Response Supplemental Appropriations Act (H.R. 6074), Families First Coronavirus Response Act (H.R. 6201), and Paycheck Protection Program and Health Care Enhancement Act (H.R. 266), OHSU has been proactive in utilizing the funding opportunities to support its missions.

The effect of modified operations on the workforce and missions, and the receipt of COVID-19 relief funding is highlighted below as well as throughout the discussion and analysis, financial statements and corresponding note disclosures.

Workforce Impacts under Modified Operations

To strengthen the resilience of OHSU's workforce in the face of the COVID-19 pandemic, OHSU President Danny Jacobs committed to maintaining a full workforce with full pay and benefits through June 30, 2020, provided 14 days of additional sick leave and made available a $1 million hardship fund for employees facing severe fiscal hardship as a result of the pandemic. OHSU suspended work-related travel beginning the week of March 9, 2020 with exceptions primarily related to clinicians providing patient care to sites around Oregon. Since March 2020 and to date, OHSU is promoting physical distancing within the University, including requiring noncritical function employees to work from home and minimizing the number of people gathered for in-person meetings through video and teleconferencing alternatives.

Education

Face-to-face instruction was canceled beginning on March 16, 2020, the last week of winter term, and during spring term all academic programs were delivered remotely, using digital delivery methods. During this time, student clinical rotations and similar experiences were suspended and most PhD students were removed from laboratories as research was ramped down. Once Governor Brown allowed elective care to resume on May 15, 2020, and clinical volume returned close to baseline activity, house officers became fully reengaged in the clinical mission, including delivery of care using new modes developed under OHSU's digital health strategy.

Similarly, PhD students engaged in laboratory-based research activities returned to campus based upon the "Return to Research" plan that was approved by UTT and the University Cabinet. This included pilot experiences followed by the larger reopening that began on June 8, 2020 to coincide with the Governor's "Reopening Oregon" plan. Similarly, the education mission ran several pilots involving simulation for the Doctor of Dental Medicine (DMD) and radiation therapy programs, as well as resumption of dental care by senior students in the School of Dentistry. As a result of the success of these pilots, clinical students across degree programs were permitted to reenter clinical settings at OHSU and across the region by the end of fiscal year 2020.

The CARES Act provided the Higher Education Emergency Relief Fund (HEERF), which allowed OHSU to provide Emergency Financial Aid Grants to students and use up to 50 percent of the funds received to cover any costs associated with significant changes to the delivery of instruction due to coronavirus.

OHSU received $1.01 million in total and used half of the funding, as mandated by the legislation, for grants to students and the remainder to support the delivery of instruction online. 1,467 students were verified as eligible to participate under Section 484 of Title IV of the Higher Education Act of 1965 and also eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act. Of those eligible, 438 students received grants.

Additionally, the CARES Act waives the requirement that OHSU pay a matching share of Federal Work-Study (FWS) program wages and Federal Supplemental Educational Opportunity Grants (FSEOG) in 2019-20 and 2020-21. The CARES Act allows colleges and universities to transfer leftover Federal Work-Study funding into the FSEOG program, so that the money may be awarded to students as grants. OHSU transferred unspent, unmatched FWS to FSEOG and awarded it as Emergency Grants to students.

Research

Under the initial stages of modified operations, the university's research mission was curtailed with the exception of research specifically related to the diagnosis, treatment, and prevention of COVID-19.

Between March 26, 2020 and June 8, 2020 OHSU's research mission operated at Research Level 3, with experiments stopped except those that met specific exception criteria, access to OHSU buildings restricted and teleworking required except for essential personnel. Prior to moving to Research Level 3, individual labs developed Research Shutdown and Action plans that were reviewed and approved by the chair/director and filed with OHSU's Office of Research & Innovation.

As of June 8, 2020, OHSU's research mission moved to Research Level 2, which includes reduced research density, risk reduction strategies, and telework required for those who can. At this level, OHSU began to more broadly resume research on campus. Each lab developed a Return to Research plan, which was approved by their chair or director prior to the research groups returning to the lab. The West Campus, including the Vaccine and Gene Therapy Institute and the Oregon National Primate Research Center, moved fully to Level 2 on May 20. The unified restart of research at OHSU is guided by the following principles:

- Follow the local, state, and national public health authority directives to stay at home and to implement physical distancing.
- Protect the health and safety of the research workforce, emotional as well as physical, and the health and safety of our clinical patients and human research subjects.
- Protect the careers of early stage researchers.
- Implement a fair and transparent process for granting access back to research facilities.
- Ensure as rapid a research restart as the public health conditions permit.

On March 12, 2020 the National Institutes of Health (NIH) issued notice number NOT-OD-20-086 alerting the community of administrative flexibilities during the Public Health Emergency. The NIH indicated that institutions like OHSU would have short-term administrative flexibilities due to the COVID-19 public health emergency. These flexibilities helped NIH-funded investigators (and applicants) manage administrative, financial and audit requirements under Uniform Guidance without compromising their accountability requirements. One such flexibility is that "If a recipient organization's policy allows for the charging of salaries and benefits during periods when no work is performed due to the effect of COVID-19, regardless of the funding source, including federal and nonfederal, then such charges to NIH grant awards will be allowable." Given that OHSU's institutional policy during the health emergency allowed for such charging, all OHSU employees whose labor was charged to grants as of March 16, 2020, were instructed to continue to charge the funding source through June 30, 2020. This guidance also applied to stipend payments to fellows and trainees who were unable to work as a result of or related to COVID-19.

Healthcare

In early March, Governor Kate Brown declared an emergency prohibiting elective and nonurgent procedures for the purpose of conserving and redirecting personal protective equipment (PPE) for the state's COVID-19 emergency response. During this time, OHSU experienced significant declines in patient activity. On May 1, 2020, OHSU Health (OHSU, Tuality, and Adventist) resumed some nonurgent surgeries and procedures, as described in Governor Kate Brown's April 23rd announcement. Since resuming nonurgent surgeries and procedures in May 2020, patient activity has shown signs of recovery.

With respect to healthcare, the CARES Act provides economic relief in part to hospitals and other healthcare providers, and is distributed in phases. OHSU qualifies for funding under the Public Health and Social Services Emergency Fund for Providers (Provider Relief Fund), and adopted and qualifies for various Medicare and Medicaid policy changes that were enacted to temporarily enhance Medicare and Medicaid reimbursement to support patient care and provide flexibility during the pandemic, including regulatory waivers and rule changes to expand diagnostic testing for Medicare and Medicaid beneficiaries, expand telehealth services, and support hospital capacity and the healthcare workforce during the COVID-19 emergency.

On April 10, 2020, the Department of Health and Human Services (DHHS) announced the distribution of payments to hospitals. Several types of funding were provided, the most significant distributions to OHSU were from the Provider Relief Funds, which was established to provide support and reimburse hospitals and other healthcare entities for healthcare related operating losses attributable to coronavirus. OHSU received $38 million in CARES Act Provider Relief Funds. Another $10 million has been received and recorded in fiscal year 2021.

CARES Act Loan Funds

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 and suppliers to receive advances on future Medicare reimbursement. OHSU received $146 million in federal Medicare advances in fiscal year 2020. The recoupment or repayment process was to begin 120 days after receipt, which will occur in OHSU's fiscal year 2021. The CARES Act also eliminates from May 1, 2020 through December 31, 2020 the 2% sequestration-mandated reductions to Medicare reimbursement.

Finally, under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes, OHSU deferred $24 million of applicable payroll taxes from the date the Act was signed into law through June 30, 2020. OHSU will continue to defer payroll taxes through December 31, 2020, per the regulation. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022.

Results of Operations

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

On a consolidated basis, OHSU's net position decreased by $14 million in fiscal year 2020, resulting from modified operations due to the COVID-19 pandemic. This follows an increase of net position of $252 million in fiscal year 2019, which includes both revenues and expenses related to the opening of the new South Waterfront campus buildings and supporting programs, some of which were onetime activities, others of which are ongoing to the Total University operating income. Additionally, fiscal year 2020 and 2019 includes results from a multi-year initiative called Accelerate OHSU that is designed to narrow the gap between payment rate and unit cost inflation; to facilitate volume growth across missions; to moderate variable costs; and to reduce current expense base until new capacity can be brought fully online.

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

(Dollars in thousands)

		2020	2019	2018
Patient service revenue, net	$	2,375,275	2,350,926	2,210,653
Gifts, grants, and contracts		664,646	611,080	613,352
All other operating revenues		273,200	216,112	226,053
Total operating revenues		3,313,121	3,178,118	3,050,058
Salaries, wages, and benefits		2,041,677	1,859,136	1,732,915
Defined-benefit pension		109,907	72,043	76,587
All other operating expenses		1,347,970	1,201,509	1,130,475
Total operating expenses		3,499,554	3,132,688	2,939,977
Operating income		(186,433)	45,430	110,081
State appropriations		39,581	37,276	37,026
Other nonoperating revenues (expenses)		70,343	137,121	92,543
CARES Act		37,859	—	—
Other changes in net position		24,793	32,081	20,034
Total change in net position	$	(13,857)	251,908	259,684

Revenues Supporting Core Activities

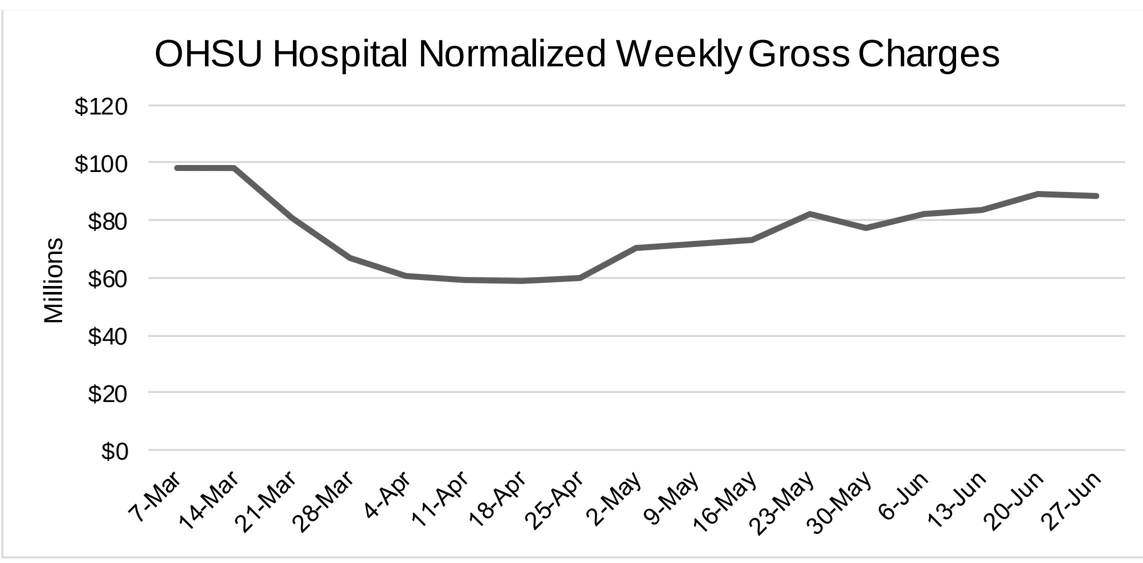
OHSU's operating revenues for fiscal year 2020 total $3.31 billion, an increase of 4.3% from fiscal year 2019 at $3.18 billion. The increase was driven by grants, gifts and contracts and pharmaceutical activities, offset by significant declines in patient activity beginning in March 2020.

Patient activity as measured by hospital census days and total surgical cases declined as much as 35% and 69%, respectively, in April 2020 from prior activity levels observed in January 2020. Since resuming nonurgent surgeries and procedures in May 2020, patient activity has shown signs of recovery.

Patient activity

Month	Calendar days	Census days	Total surgical cases	Net patient revenue ($000s)
Jan-20	31	15,219	3,162	$ 205,189
Feb-20	29	14,171	2,828	192,527
Mar-20	31	13,341	2,163	182,719
Apr-20	30	9,950	965	127,765
May-20	31	12,226	2,045	155,177
Jun-20	30	12,751	2,623	191,455

The trend in patient activity, as measured by weekly hospital inpatient, outpatient, and pharmacy gross charges was as follows:



Gross charges indicate a decrease as much as 40% in response to modified operations due to the COVID-19 pandemic. Gross charge information from May 2020 and onward show signs of recovery, which have continued into July and August of the new fiscal year 2021. To date, Oregon has been successful at avoiding a major COVID-19 surge relative to other states, with only three states with fewer cumulative cases per capita as reported by the New York Times.

Grants, gifts, and contracts continue to remain strong in fiscal year 2020 at $665 million, compared to $611 million in 2019, despite the conclusion of revenue recognition associated with the State's $200 million grant supporting the Knight Cancer Challenge research facility and the restricted research environment due to modified operations.

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 and Doernbecher Children's Hospital Foundation (the Foundations) 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.

In fiscal year 2020, several gifts were made in support of the pandemic response, 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 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		
		2020	**2019**	**2018**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	492,818	457,088	356,587
University grants and contracts, indirect cost recovery		102,882	97,974	91,869
State grant to the Knight Cancer Challenge		—	8,332	116,085
Foundation gifts, net of eliminations, transferred to the University		68,946	47,686	48,811
Total gifts, grants, and contracts	$	664,646	611,080	613,352

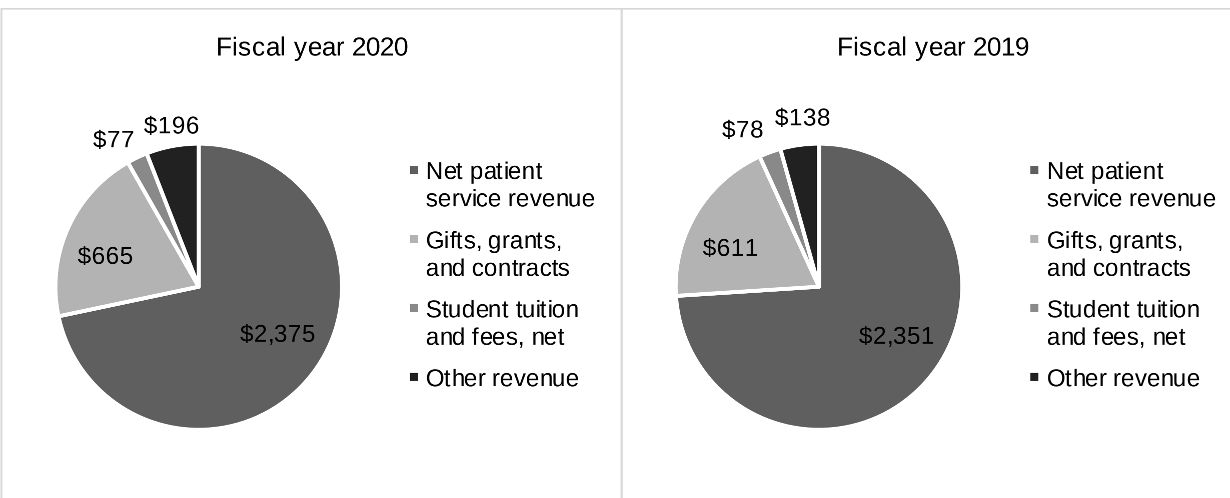
Student tuition and fees were $77 million and $78 million in fiscal year 2020 and 2019, respectively. Fiscal year 2020 marks the seventh year of the OHSU Tuition Promise. Under this initiative, students enrolled in eligible clinical degree programs pay a tuition rate that is fixed for the remainder of their studies, as long as they complete the degree within the normal timeframe specified by the program. In April and May, 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.

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 $40 million in fiscal year 2020 and $37 million in 2019. 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.

Investment returns, reported in other nonoperating revenues (expenses), totaled $83 million in fiscal year 2020 compared to $141 million in fiscal year 2019, largely reflecting the market response to the COVID-19 pandemic.

Operating Revenue by Source
Fiscal years 2020 and 2019 (Total $3.3 billion and $3.18 billion, respectively)

(Dollars in millions)



Expenses Associated with Core Activities

OHSU's total operating expenses on a combined basis increased by $367 million, or 11.7%, in fiscal year 2020, and $193 million, or 6.6%, in fiscal year 2019. In fiscal year 2020, expense growth is related to salaries, wages, and benefits, defined-benefit pension expense, services, supplies and other, and interest expense.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 58.3% of total expenses, increased by $183 million, or 9.8%, in 2020 and $126 million, or 7.3%, in 2019, respectively. Excluding the onetime reduction in salaries, wages, and benefits of $23 million in fiscal year 2019, related to the implementation of a new paid time off program, salaries, wages, and benefits increased by $160 million or 8.5%. In fiscal year 2020, expenses reflects OHSU's commitment to maintaining a full workforce with pay and benefits starting in March through June 30, 2020, and additional staffing required to maintain operations in a COVID-19 pandemic environment. In fiscal year 2019, the increase relates to recruitment for clinical programs and staff in support of the Center for Health & Healing 2 (CHH-2) ambulatory care building, a project that also included cancer clinical trial space and the Rood Family Pavilion for patient and family housing.

In fiscal year 2020, OHSU's proportionate share of the Oregon Public Employees Retirement System (PERS) defined-benefit pension expense increased as a result of changes to benefit terms and assumptions previously adopted by the PERS Board, including the long-term expected rate of return being lowered to 7.20 percent, an updated mortality improvement scale for all groups, and merit increases, unused sick leave, and vacation pay updates. Partially offsetting these impacts, 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 2020, annual salary in excess of $195,000 (as indexed in future years) will be excluded when determining certain member benefits. As a result, future benefits for certain active members are now projected to be lower than prior to the legislation.

Services, supplies, and other expenses increased $151 million, or 15.4%, in 2020, and $82 million, or 9.1%, representing the nonlabor costs associated program growth, spending on pharmaceuticals and medical supplies, and increased direct foundation support, along with new expenses required to operate in a COVID-19 pandemic environment, such as technology used to support telemedicine. In 2019, the increase in expenses related to the nonlabor costs associated with the Knight Cancer Challenge program growth and increased direct foundation support, along with approximately $16 million in CHH-2 onetime startup costs and OHSU's participation ending in Oregon's provider tax.

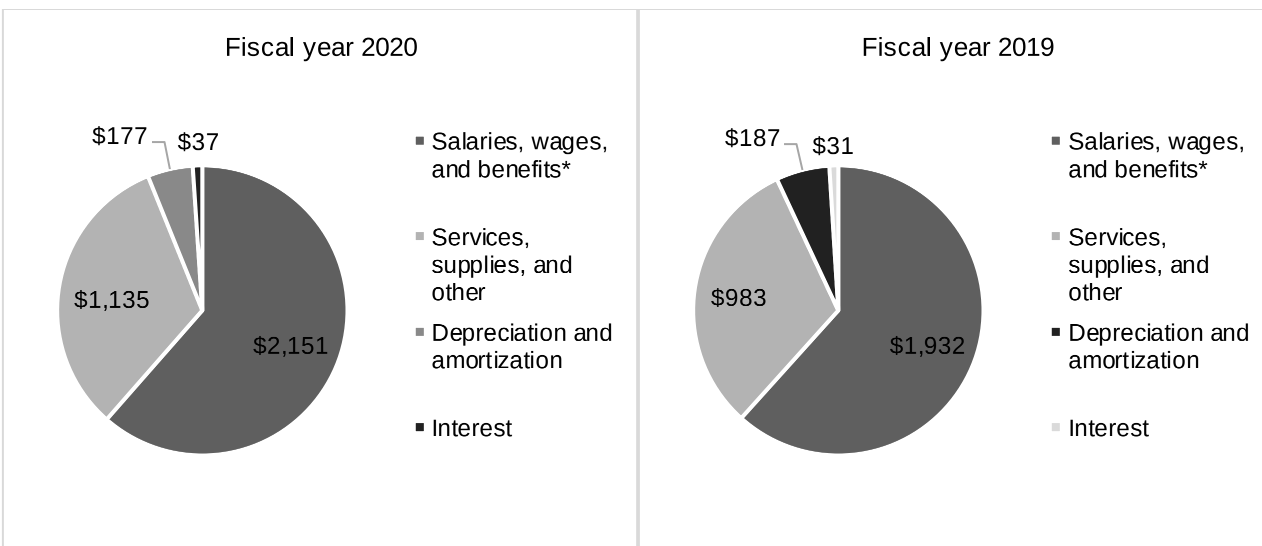
Fiscal year 2020 and 2019 also included integrated clinical operations support for Adventist Health Portland at $10 million and $5 million, respectively, an affiliate since January 2018, and Tuality at $25 million and $8 million, respectively, a partner since February 2016.

Depreciation and amortization represents the reduction in value of capital assets with the passage of time. In fiscal year 2020, depreciation and amortization decreased by $(10) million, or -5.4%, compared to an increase of $36 million, or 23.6%, in 2019. In 2020, the decrease in depreciation was related to the slowing of capital expenditures in the last quarter of the fiscal year as a result of COVID-19. In fiscal year 2019, the increase in depreciation reflects the opening of the new buildings noted previously along with a change in capitalization threshold for capital assets of $17 million.

Interest expense increased by $5.4 million, or 17.1%, in fiscal year 2020. The increase in interest expense in 2020 is largely driven by the costs of issuance related to the new bonds, and a reduction in capitalized interest. Costs of issuance was $2.7 million for the bond refinancing and issuance of the Series 2019ABCD Bonds in fiscal year 2020. Capitalized interest for 2020 and 2019 was $2.4 million and $6.1 million, respectively. Capitalized interest decreased as a consequence of decreased capital spending with the completion of CHH-2 in fiscal year 2019.

Operating Expenses
Fiscal years 2020 and 2019 (Total $3.50 billion and $3.13 billion, respectively)

(Dollars in millions)



* Salaries, wages, and benefits figures include OHSU's proportionate share of the Oregon PERS's net pension liability of $110 million and $72 million expensed in fiscal years 2020 and 2019, respectively.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2020	2019	2018
Instruction, research, and public service	$	541,954	507,049	471,869
Clinical activity		2,251,293	1,986,762	1,860,679
Auxiliary activities		8,220	7,498	7,470
Internal service centers		16,049	10,327	9,082
Student services		16,772	14,800	13,545
Academic support		92,708	82,662	82,955
Institutional support		169,228	146,093	164,421
Operations, maintenance, and other		133,926	118,943	106,288
Direct foundation expenditures		34,183	37,499	33,635
Depreciation and amortization		176,700	186,719	151,095
Defined pension benefit, net of contribution		58,521	34,336	38,938
Total operating expenses	$	3,499,554	3,132,688	2,939,977

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.

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)

		2020	2019	2018
Assets:				
Current assets	$	1,410,015	1,125,847	1,155,648
Capital assets		2,103,591	2,072,996	2,009,564
Other noncurrent assets		2,231,465	2,371,988	2,229,923
Total assets		5,745,071	5,570,831	5,395,135
Deferred outflows		206,985	205,752	182,548
Total assets and deferred outflows	$	5,952,056	5,776,583	5,577,683
Liabilities:				
Current liabilities	$	612,056	460,019	536,439
Noncurrent liabilities		1,593,396	1,503,847	1,498,180
Total liabilities		2,205,452	1,963,866	2,034,619
Deferred inflows		141,262	193,518	175,773
Net position:				
Net investment in capital assets		1,254,205	1,239,304	1,160,403
Restricted, expendable		683,114	717,100	813,026
Restricted, nonexpendable		295,926	274,762	249,931
Unrestricted		1,372,097	1,388,033	1,143,931
Total net position		3,605,342	3,619,199	3,367,291
Total liabilities, deferred outflows, and net position – end of year	$	5,952,056	5,776,583	5,577,683

Assets

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

Cash and Investments. During fiscal year 2020, OHSU's unrestricted and restricted cash and investments increased from $2.37 billion to $2.54 billion attributable to operating and investment performance, federal support related to COVID-19 and the Foundations 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 Foundations, 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)

		2020	2019	2018
Unrestricted cash and investments:				
Cash and equivalents	$	427,991	96,419	60,678
Fixed income		855,547	1,035,482	950,188
Public Equity		191,761	243,920	206,729
Private Equity, Marketable Alt., and Other		389,588	300,800	264,158
Subtotal		1,864,887	1,676,621	1,481,753
Restricted cash and investments:				
Cash and equivalents		43,305	16,480	13,375
Fixed income		133,778	166,309	138,321
Public Equity		135,443	214,597	200,364
Private Equity, Marketable Alt., and Other		366,687	294,389	304,751
Subtotal		679,213	691,775	656,811
Totals	$	2,544,100	2,368,396	2,138,564

The unrestricted portion of cash and investments is represented in the calculation of days cash on hand for OHSU. Days cash on hand decreased from 228 days in 2019 to 222 days in 2020, the effect of a 10.9% increase in unrestricted operating cash and investments compared to a 13.9% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2020	2019	2018
OHSU:				
Unrestricted cash and investments	$	1,356,421	1,171,106	1,025,102
Less nonoperating cash and investments		(55,319)	(45,297)	(38,909)
Operating cash and investments	$	1,301,102	1,125,809	986,193
Unrestricted operating expenses:				
Total operating expenses	$	3,128,200	2,777,553	2,607,181
Less depreciation and amortization		(176,617)	(186,621)	(150,986)
Net unrestricted operating expenses	$	2,951,583	2,590,932	2,456,195
Daily expense	$	8,087	7,098	6,729
Days cash on hand		161	159	147
OHSU plus OHSU and Doernbecher Foundations:				
Unrestricted cash and investments	$	1,864,887	1,676,621	1,481,753
Less nonoperating cash and investments		(55,319)	(45,297)	(38,909)
Operating cash and investments	$	1,809,568	1,631,324	1,442,844
Unrestricted operating expenses:				
Total operating expenses	$	3,150,353	2,797,999	2,630,036
Less depreciation and amortization		(176,700)	(186,720)	(151,095)
Net unrestricted operating expenses	$	2,973,653	2,611,279	2,478,941
Daily expense	$	8,147	7,154	6,792
Days cash on hand		222	228	212

(Continued)

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2020, 2019, and 2018, 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)

		2020	2019	2018
OHSU plus OHSU and Doernbecher Foundations:				
Operating cash and investments	$	1,809,568	1,631,324	1,442,844
Net unrestricted operating expenses	$	2,973,653	2,611,279	2,478,941
Pension adjustment GASB 68		(58,521)	(34,336)	(38,938)
Adjusted net unrestricted operating expenses	$	2,915,132	2,576,943	2,440,003
Daily expense	$	7,987	7,060	6,685
Days cash on hand (pre-GASB 68)		227	231	216

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, increased by $31 million and $63 million, respectively, during fiscal years 2020 and 2019. In 2020 and 2019, 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 delayed and starting in March capital spending was curtailed. In fiscal year 2019, capital expenditures also included construction of CHH-2, KCRB, and the Gary and Christine Rood Family Pavilion.

Liabilities

Total liabilities increased by $242 million, or 12.3%, in fiscal year 2020. This follows a decrease of $71 million, or 3.5%, in fiscal year 2019. In fiscal year 2020, the increases were related to several activities including the 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. In fiscal year 2019, the decreases were related to activities in current liabilities, compensated absences payable and noncurrent liabilities.

Current liabilities consist primarily of the current portion of long-term debt, including capital leases, and self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits payable and unearned revenue. In fiscal year 2020, current liabilities also reflects the CARES Act Medicare Advance Payment of $146 million and OHSU’s share of deferred Social Security payroll taxes of $24 million, allowable under the CARES Act. In fiscal year 2019, the reduction in current liabilities is primarily due to a decrease in intergovernmental transfers (IGT) payables to the State of $69 million and $15.8 million of retainage payables related to the new buildings reflected in other current liabilities. Compensated absences payable lowered by $23 million due to a new paid time off program implemented in fiscal year 2019. These decreases were offset by accrued salaries, wages, and benefits and accounts payable and accrued expenses.

Noncurrent liabilities increased $90 million in fiscal year 2020 due to an increase in the pension liability, long-term debt less current portion, swap activities and OHSU's other postemployment benefits (OPEB).

Debt Management. At the close of fiscal years 2020 and 2019, OHSU had a total of approximately $974 million and $951 million in long-term debt and capital leases outstanding, respectively, excluding current portion. 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 debt to net position, shown below. From fiscal years 2018 to 2020, this metric has decreased as the newly issued long-term debt related to the new ambulatory care tower and the acquisition of Physicians Pavilion, in fiscal year 2020, was offset by operating results and investment returns.

		2020	2019	2018
			(Dollars in millions)	
Total debt and capital leases	$	997	979	1,002
Net position, as adjusted		3,605	3,619	3,367
Total debt and capital leases to net position	$	0.28	0.27	0.30

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 2.93 in fiscal year 2020, 6.65 in 2019, and 4.90 in 2018.

Calculation of Maximum Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2020	2019	2018
Total excess of revenues over expenses	$	(38,650)	219,827	239,650
Add/subtract restricted net loss/gain		21,581	51,905	(95,251)
Unrestricted excess of revenues over expenses	$	(17,069)	271,732	144,399
Adjustments:				
Net unrealized (gain) loss in fair value of investments	$	(14,276)	(58,639)	(22,856)
Loss on disposal of assets		419	411	296
Interest expense[1]		36,331	30,965	27,319
Depreciation and amortization		176,700	186,720	151,095
	$	199,174	159,457	155,854
Income available for debt service	$	182,105	431,189	300,253
Maximum annual debt service		62,180	64,879	61,230
Maximum annual debt service coverage		2.93	6.65	4.90

[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)

		2020	2019	2018
Income available for debt service	$	182,105	431,189	300,253
Pension adjustment GASB 68		58,521	34,336	38,938
Adjusted income available for debt service	$	240,626	465,525	339,191
Maximum annual debt service	$	62,180	64,879	61,230
Maximum annual debt service coverage (pre-GASB 68)		3.87	7.18	5.54

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 2020, the deferred outflows increased by $1 million and 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. In fiscal year 2019, the deferred outflows increased $23 million and the deferred inflows increased $18 million due to several items of significance, including deferred amortization of derivative instruments, gains and losses on refunding debt, and obligations related to defined-benefit pension activities and the addition of the life income agreements 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 2020 and 2019 deferred outflow for the amortization of derivative instruments was $7.3 million. The deferred amortization balance related to the interest rate swap was affected by the bond refinancing and removal of the assigned hedges in December 2019.

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 $30 million in 2020 and $22 million in 2019 is reported in the deferred outflows section below assets. The deferred loss on refunding of debt balance increased as a result of the bond refinancing activity in fiscal year 2020. The deferred gain on refunding of debt of $1.5 million in 2020 and $1.8 million in 2019 is reported in the deferred inflows section below liabilities.

In fiscal year 2020 and 2019, the deferred outflows related to the Oregon PERS pension obligation were $160 million and $174 million, respectively, primarily representing assumption changes. Contributions made postmeasurement date are also reflected in deferred outflows. In fiscal year 2020, OHSU's contributions were $61 million, which included an additional $10 million in excess contribution above the contractually required $51 million. In fiscal year 2019, OHSU's contributions made postmeasurement date were $48 million. Deferred inflows related to pension activities for fiscal years 2020 and 2019 were $56 million and $69 million, respectively, representing a decrease in proportionate share.

Finally, deferred inflows included a reduction in the pending funds as a result of a $40 million withdrawal from the pending fund, which was applied to an existing pledge commitment.

Net Position

As noted earlier, total net position decreased $14 million in fiscal year 2020, as compared to an increase of $252 million in fiscal year 2019.

In fiscal year 2020, the decrease in net position occurred within unrestricted and restricted, offset by net investment in capital assets, which increased by $15 million in 2020 and $79 million in 2019. Unrestricted net position decreased by $16 million in 2020 as compared to an increase of $244 million in 2019, primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 27.2% and 27.4% of OHSU's total net position, decreased by $13 million and $71 million, in 2020 and 2019, respectively, 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 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

In fiscal year 2020, the University introduced a new strategic plan called OHSU 2025: "We deliver breakthroughs for better health." The plan was developed through a crowdsourcing process to tap into OHSU member aspirations and develop a shared future vision. Members then voted to affirm the overall future plan, which includes goals, objectives, and tactics. Below are highlights of the strategic plan followed by accomplishments of OHSU missions.

OHSU 2025 will partner to be a leader in health and science innovation for the purpose of improving the health and well-being of people in Oregon and beyond. The plan aims to deliver breakthroughs for better health through six timeless aspirations:

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

OHSU's core missions of healing, teaching, and discovery, striving to:

- Educate tomorrow's health professionals, scientists, engineers, and managers in top-tier programs that prepare them for a lifetime of learning, leadership, and contribution.
- Explore new basic, clinical and applied research frontiers in health and biomedical sciences, environmental and biomedical engineering and information sciences, and translate these discoveries, wherever possible, into applications in the health and commercial sectors.
- Deliver excellence in healthcare, emphasizing the creation and implementation of new knowledge and cutting-edge technologies.
- Lead and advocate for programs that improve health for all Oregonians, and extend OHSU's education, research and healthcare missions through community service, partnerships, and outreach.

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 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.

(Dollars in thousands)

As of the fall 2019 term, OHSU had 3,017 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

		2019/2020	2018/2019	2017/2018
School of Dentistry:				
Graduate	$	26	27	27
Professional		297	296	290
Subtotal		323	323	317
School of Medicine:				
Undergraduate		17	18	14
Graduate		780	812	773
Professional		630	603	592
Subtotal		1,427	1,433	1,379
School of Nursing:				
Undergraduate		759	764	762
Graduate		177	222	214
Professional		100	44	40
Subtotal		1,036	1,030	1,016
School of Public Health:				
Graduate		231	213	183
Total	$	3,017	2,999	2,895

(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.

OHSU Research

OHSU is a national leader in neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. Through August 2020, OHSU research projects received 73% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 9% of the grants. OHSU was ranked 28th out of the 2,389 entities that received funding from the NIH through August 2020. Faculty members include five members of the National Academy of Sciences and eight 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, the Casey Eye Institute, a world-recognized academic regional eye center that attracts top specialists from around the globe, 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 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.

In May 2018, OHSU was awarded a $42 million, six-year grant to establish the Pacific Northwest Center for Cryo-EM. This state-of-the-art electron microscopy user facility is operated jointly by OHSU and Pacific Northwest National Laboratory, and allows researchers from a diverse range of backgrounds to tackle the most challenging scientific problems and train the next generation of cryo-electron Microscopy (cryo-EM) specialists and users. With the purchase of four revolutionary microscopes to be located in the Robertson Life Sciences Building, cryo-EM researchers can visualize biological molecules at an atomic scale, which should lead to advances in diseases such as Parkinson's, Alzheimer's, and cancer. In addition, OHSU was awarded $5.9 million in September 2019 to bring state-of-the-art upgrades to a center that's already at the leading edge. The latest NIH award allowed the center to acquire an additional Krios 300-kiloelectron volt microscope along with three additional direct electron detection cameras.

In February 2020, OHSU received a $10 million gift in support of a new Oregon-based collaboration focused in utilizing “big data” to better fight cancer and other diseases. The gift from Tim and Mary Boyle to the joint OHSU-University of Oregon Center for Biomedical Data Science will allow the center to expand its efforts to use “big data” to transform healthcare. The center’s goal is to extract key knowledge from the unprecedented volumes of healthcare-related data being amassed today, so it can be used to propel innovation and clinical practices in all areas of healthcare, from disease prevention and diagnosis to drug discovery to direct clinical care and hospital operations.

In October 2019, The National Cancer Institute, part of the National Institutes of Health, awarded the OHSU’s Department of Family Medicine and OCHIN, Inc. a $7.5 million grant to improve strategies for implementing proven cancer screening and prevention practices. Supported by the National Cancer Institute as part of the Cancer Moonshot, the grant allows the two organizations to develop a center of excellence in implementation science, including an “implementation research laboratory,” aimed at improving cancer screening and prevention for underserved populations on a national scale. Jen DeVoe, M.D., D.Phil, professor and chair of the Department of Family Medicine in the OHSU School of Medicine and senior research adviser for OCHIN, will lead a team of highly skilled researchers from OHSU and OCHIN.

For the first time, OHSU exceeded the $500 million level in externally sponsored research awards, with a total of $549 million for fiscal year 2020. The early analysis shows the major investments in buildings and large-scale equipment, such as the Cryo-EM Center, are making a significant impact. Another metric we are beginning to measure is the number of grants awarded. For fiscal year 2020 overall this metric exceeded projections by 8%, demonstrating that our research community is actively applying for and receiving unique awards from external sponsors.

OHSU Healthcare

OHSU is home to Oregon’s only major academic health center, which serves a multistate area with tertiary 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 2020, the OHSU Hospital represented 8.3% of the available beds and 11.8% of the filled beds for the entire State. The OHSU Hospital had an 81% occupancy rate for available beds in 2020, compared to the Oregon statewide average of 57% 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, 2020, there were over 1,915 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 2020	2019	2018	Variance 2020 v 2019	2019 v 2018
	(Dollars in thousands)				
Inpatient admissions	27,055	29,174	29,213	(7.3)%	(0.1)%
Average length of stay	6.32	6.12	5.94	3.3	3.0
Average daily census	453	476	464	(4.8)	2.6
Day/observation patients	38,643	42,320	40,378	(8.7)%	4.8 %
Emergency visits	44,965	47,856	48,461	(6.0)	(1.2)
Ambulatory visits	978,492	987,024	955,857	(0.9)	3.3
Surgical cases	32,672	37,080	35,560	(11.9)	4.3
Casemix index	2.43	2.26	2.18	7.5 %	3.7 %
Outpatient share of activity	53.6 %	52.3 %	51.5 %	2.5	1.6
CMI/OP adjusted admissions	141,644	137,995	131,210	2.6	5.2

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, 34 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 nineteen 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.

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.

***Mid-Columbia Medical Center*.** In August 2014, Mid-Columbia Medical Center (MCMC) and OHSU signed a 10-year mutual cooperation agreement. MCMC is a 49-bed general medical and surgical hospital in The Dalles, Oregon, approximately 85 miles east of Portland. The collaboration supports the continued and enhanced availability and local provision of primary care and specialty services at MCMC and in the MCMC service area recruitment. As part of the collaboration, OHSU supports the management and delivery of outpatient services at MCMC, and MCMC added an eighth position to its board of directors, selected by OHSU. In addition, MCMC converted to the EPIC electronic health records system, as used by OHSU.

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 and Doernbecher Foundations

OHSU has two designated independent nonprofit foundations – the Oregon Health and Science University Foundation (the OHSU Foundation) and the Doernbecher Children's Hospital Foundation (the Doernbecher Foundation), collectively, the Foundations. The Foundations exist to secure private philanthropic support to advance OHSU's vital missions and to invest and manage gifts responsibly to honor donors' wishes.

The OHSU Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. Doernbecher Foundation is an Oregon nonprofit corporation promoting interest in and support for Doernbecher Children's Hospital. Both Foundations are component units of OHSU for financial reporting purposes, but are not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. Both Foundations have self-perpetuating boards of directors, on which the OHSU president sits as an ex officio voting member.

(Dollars in thousands)

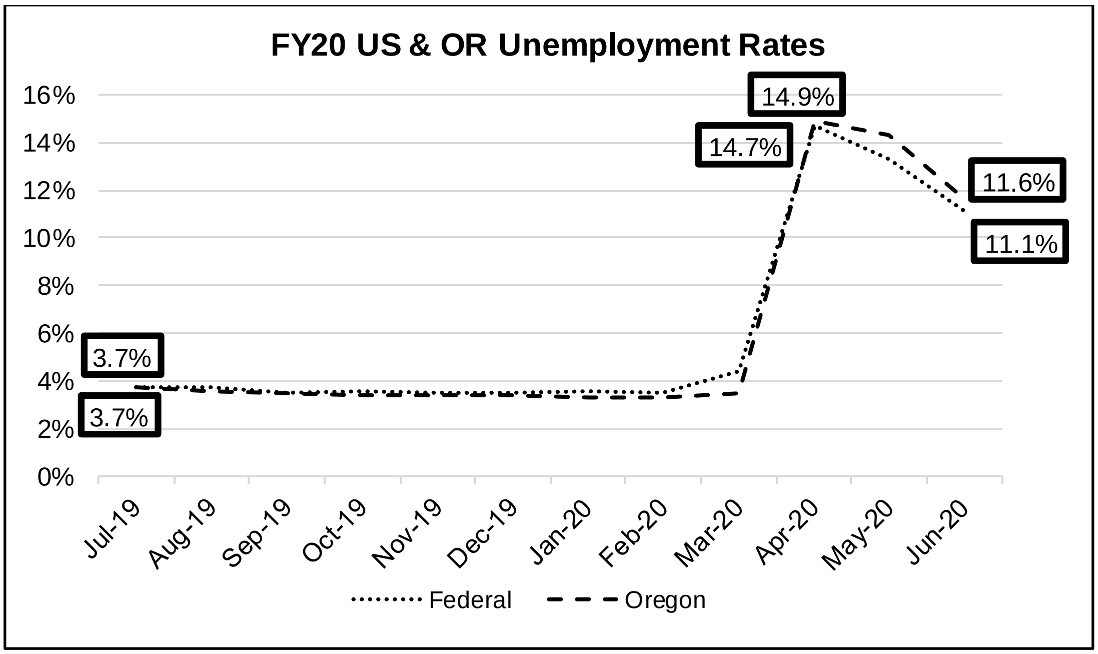
As OHSU's designated foundations, all development activities conducted by the Foundations must be coordinated with OHSU. In accepting gifts, the Foundations must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if either foundation were dissolved or if the OHSU president were to revoke recognition of either 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 Foundations. 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
$10 million	OHSU-UO Center for Biomedical Data Science	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

Economic Outlook

As the U.S. economy entered its twelfth year of recovery from the 2008 financial crisis, national and Oregon economies exhibited continued growth in output and employment through the first eight months of the fiscal year. This was upended in early March with onset of the pandemic with its major economic and financial market impact. Year over year as of period ended June 2020, real GDP decreased by 9.1% according to the U.S.

Bureau of Economic Analysis. The below chart illustrates the similar impact on national and state unemployment levels:



Source: Bureau of Labor Statistics

After fiscal year-end, the employment picture continued to improve with Oregon posting a preliminary unemployment rate figure of 7.7%, while the broader national figure stood at 8.4%. There is still substantial uncertainty with respect to the continued improvement in the labor market, as well as the trajectory of broader economic activity including whether Congress will pass additional fiscal stimulus.

In financial markets, much of the past decade has been characterized by low interest rates in the U.S. and much of the developed world, with periodic transitory increases followed by subsequent reversion. This trend continued pre and post the Coronavirus market event in March. Pre-COVID-19 topics of focus for capital market participants included ongoing trade tensions with China, easing global monetary policy in response to economic growth concerns and uncertainty regarding Brexit. With COVID-19, the market exhibited substantial volatility with significant risk asset drawdown and recovery within a short period of months. During the fourth quarter of fiscal year 2020, attention focused on the degree and form of global government responses in both fiscal and monetary policy, in context of the path of the pandemic and economic recession. OHSU's University-held investment assets (excluding Foundations assets), with significant holdings in short duration, high quality fixed income assets with a small proportion of passive equity index funds, have served as a financial ballast to mitigate potential shocks within the operating environment.

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. In addition, the Affordable Care Act (ACA) is once again before the U.S. Supreme Court. The outcome of the 2020 election could have substantial bearing on economic and healthcare policy going forward with its corresponding impact to OHSU. As a consequence, the University is preparing for a range of possible outcomes.

Oregon and OHSU have leaned into the ACA, to significant effect on both. Approximately 500,000 Oregonians have gained health insurance coverage through the Oregon Health Plan (Medicaid expansion) or the new individual insurance market, with 95% of adults and 98% of children now covered. This has substantially reduced OHSU's share of patient activity without any insurance coverage from approximately 5% to 1%.

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 16% from $3.11 billion at July 1, 2017, as adjusted, to $3.61 billion for the year ending June 30, 2020. OHSU's financial strength is further recognized by its credit ratings, Aa3 / AA- / AA- confirmed in late 2019 by Moody's, S&P, and Fitch, 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
(A Component Unit of the State of Oregon)

Statements of Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Assets:			
Current assets:			
Cash and cash equivalents	$	422,742	87,015
Short-term investments		253,989	325,165
Current portion of funds held by trustee		38,062	42,891
Patients accounts receivable, net of bad debt allowances of $1,528 and $3,150 – in 2020 and 2019		390,926	390,249
Student receivables		28,644	26,184
Grant and contract receivable		61,970	62,550
Current Portion of Pledges and Estates Receivable, net		85,605	74,160
Other receivables, net		46,087	43,274
Inventories, at cost		49,223	44,421
Prepaid expenses		32,767	29,938
Total current assets		1,410,015	1,125,847
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,103,591	2,072,996
Funds held by trustee – less current portion		13,252	13,040
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		652,633	680,006
Long-term investments, unrestricted		1,214,736	1,276,210
Total long-term investments		1,867,369	1,956,216
Prepaid financing costs, net		1,705	1,932
Pledges and Estates Receivable, net – Less Current Portion		306,862	351,332
Restricted postemployment benefit asset		6,200	3,493
Other noncurrent assets		2,577	12,475
Interest in the foundations		—	—
Total noncurrent assets		4,335,056	4,444,984
Total assets		5,745,071	5,570,831
Deferred outflows:			
Deferred amortization of derivative instruments		7,342	7,330
Loss on refunding of debt		30,197	22,306
Pension amounts		160,050	173,514
Goodwill		435	523
Other Postemployment Benefits (OPEB) amounts		8,961	2,079
Total deferred outflows		206,985	205,752
Total assets and deferred outflows	$	5,952,056	5,776,583

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Net Position

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	22,476	23,971
Current portion of long-term capital leases		943	3,919
Current portion of self-funded insurance programs liability		33,935	33,221
Accounts payable and accrued expenses		154,540	168,693
Accrued salaries, wages, and benefits		106,188	101,775
Compensated absences payable		68,996	62,338
Unearned revenue		74,543	60,565
Unearned/Medicare Advance Payment		145,975	—
Other current liabilities		4,460	5,537
Total current liabilities		612,056	460,019
Noncurrent liabilities:			
Long-term debt – less current portion		972,932	949,535
Long-term capital leases – less current portion		1,044	1,906
Liability for self-funded insurance programs – less current portion		39,861	39,682
Liability for life income agreements		20,741	23,235
Net pension liability		503,720	456,006
Other noncurrent liabilities		55,098	33,483
Total noncurrent liabilities		1,593,396	1,503,847
Total liabilities		2,205,452	1,963,866
Deferred inflows:			
Deferred amortization of derivative instruments		—	643
Gain on refunding of debt		1,546	1,834
Life income agreements		33,269	33,681
Pending Funds		48,135	86,456
Pension amounts		56,018	68,675
Other Postemployment Benefits (OPEB) amounts		2,294	2,229
Total deferred inflows		141,262	193,518
Net position:			
Investments in capital assets		1,254,205	1,239,304
Restricted, expendable		683,114	717,100
Restricted, nonexpendable		295,926	274,762
Unrestricted		1,372,097	1,388,033
Total net position		3,605,342	3,619,199
Total liabilities, deferred inflows, and net position	$	5,952,056	5,776,583

See accompanying independent auditors' report.

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, 2020 and 2019

(Dollars in thousands)

		2020	2019
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $12,112 and $21,221 – in 2020 and 2019	$	2,375,275	2,350,926
Student tuition and fees, net		77,305	78,332
Gifts, grants, and contracts		664,646	611,080
Other		195,895	137,780
Total operating revenues		3,313,121	3,178,118
Operating expenses:			
Salaries, wages, and benefits		2,041,677	1,859,136
Defined-benefit pension		109,907	72,043
Services, supplies, and other		1,134,614	983,489
Depreciation and amortization		176,700	186,720
Interest		36,656	31,300
Total operating expenses		3,499,554	3,132,688
Operating income (loss)		(186,433)	45,430
Nonoperating revenues, incl. state appropriations:			
Investment income and gain (loss) in fair value of investments		82,878	141,110
State appropriations		39,581	37,276
CARES Act grants		37,859	—
Other		(12,535)	(3,989)
Total nonoperating revenues (expenses), net		147,783	174,397
Net income (loss) before contributions for capital and other		(38,650)	219,827
Other changes in net position:			
Contributions for capital and other		3,361	7,593
Nonexpendable donations		21,432	24,488
Total other changes in net position		24,793	32,081
Total increase (decrease) in net position		(13,857)	251,908
Net position – beginning of year		3,619,199	3,367,291
Net position – end of year	$	3,605,342	3,619,199

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Cash flows from operating activities:			
Receipts for patient services	$	2,373,521	2,305,006
Receipts from students		74,845	74,403
Receipts of gifts, grants, and contracts		671,361	637,002
Other receipts		331,142	141,099
Payments to employees for services		(2,091,099)	(1,912,941)
Payments to suppliers		(1,156,398)	(1,008,031)
Net cash provided by operating activities		203,372	236,538
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		72,396	72,396
Federal direct loan disbursements		(61,081)	(61,081)
State appropriations		39,581	37,276
CARES Act grants		37,859	—
Nonexpendable donations and life income agreements		(5,732)	8,289
Net cash provided by noncapital financing activities		83,023	56,880
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(14,836)	(14,488)
Interest payments on long-term debt		(50,057)	(41,477)
Proceeds from issuance of long-term debt		355,558	—
Repayment on debt		(305,480)	—
Acquisition of capital assets		(207,295)	(250,476)
Proceeds from sale of capital assets		(419)	—
Net capital lease activity		(3,838)	2,245
Contributions for capital and other		3,361	7,593
Net cash used in capital and related financing activities		(223,006)	(296,603)
Cash flows from investing activities:			
Purchases of investments		(3,355,739)	(3,779,698)
Proceeds from sales and maturities of investments		3,573,115	3,716,431
Interest on investments and cash balances		54,962	100,549
Net cash provided by investing activities		272,338	37,282
Net increase in cash and cash equivalents		335,727	34,097
Cash and cash equivalents, beginning of year		87,015	52,918
Cash and cash equivalents, end of year	$	422,742	87,015

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Cash Flows

Years ended June 30, 2020 and 2019

(Dollars in thousands)

		2020	2019
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	$	(186,433)	45,430
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization		176,700	186,720
Provision for bad debts		12,112	21,221
Interest expense reported as operating expense		36,656	31,300
Noncash contribution		(9,363)	(73,298)
Defined-benefit pension		48,521	24,336
Net changes in assets and liabilities:			
Patient accounts receivable		(12,789)	1,727
Student receivables		(2,460)	(3,929)
Grant and contracts receivable		(10,735)	1,980
Pledges and estates receivable		33,025	94,722
Other receivables, assets, and deferred outflows		(10,728)	3,319
Inventories		(4,802)	(20,333)
Prepaid expenses		(2,829)	2,390
Accounts payable and accrued expenses		(14,153)	9,240
Accrued salaries, wages, and benefits		4,413	11,717
Compensated absences payable		6,658	(22,773)
Due to contractual agencies		(1,077)	(68,868)
Other current liabilities		—	(15,839)
Liability for life income agreements		(2,494)	(740)
Unearned revenue		13,978	3,137
Medicare Advance Payment		145,975	—
Liability for self-funded insurance programs		893	4,958
Other noncurrent liabilities and deferred inflows		(17,696)	121
Net cash provided by operating activities	$	203,372	236,538
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	9,529	36,357
Loss on disposal capital assets		(419)	(411)

See accompanying notes to financial statements

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

Assets		2020	2019
Current assets:			
Cash and cash equivalents	$	6,148,414	3,716,625
Short-term investments		911,589	524,572
Patient accounts receivable, net of allowance for uncollectible accounts of $1,405,178 and $3,943,100 as of June 30, 2020 and 2019, respectively		29,340,597	30,624,756
Due from related party		20,950,105	2,732,616
Other receivables		3,484,051	4,980,380
Supplies inventory		3,842,062	3,758,269
Prepaid expenses and other		2,152,604	2,791,320
Current portion of assets whose use is limited		991,582	972,882
Total current assets		67,821,004	50,101,420
Assets whose use is limited:			
Board-designated funds		34,706,362	35,489,400
Under bond indenture agreement – held by Trustee		948	937
Donor-restricted – specific purpose		4,049,056	4,792,697
Donor-restricted – endowment		2,812,317	2,782,197
Required for current liabilities		(991,582)	(972,882)
Total assets whose use is limited		40,577,101	42,092,349
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		62,332,436	59,756,126
Other assets:			
Other receivables – noncurrent		1,378,500	1,749,000
Investments in unconsolidated affiliates		1,520,876	2,136,615
Deferred compensation plan		2,357,761	2,357,761
Cash value of life insurance		564,934	529,310
Deferred costs and other		230,187	230,187
Intangible assets		1,610,335	1,687,010
Goodwill		318,500	318,500
Total other assets		7,981,093	9,008,383
Total assets	$	178,711,634	160,958,278

(Continued)

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Balance Sheets

June 30, 2020 and 2019

Liabilities and Net Assets	**2020**	**2019**
Current liabilities:		
Accounts payable	$ 14,762,403	15,390,907
Accrued payroll and employee benefits	12,863,734	12,301,670
Deferred revenue	16,590,355	—
Estimated liabilities for Medicare and Medicaid settlements	450,057	452,811
Long-term debt due within one year	1,021,001	1,047,012
Accrued bond interest payable	91,582	97,882
Total current liabilities	45,779,132	29,290,282
Long-term liabilities:		
Long-term debt, net of amount due within one year	12,072,581	13,068,958
Liability for pension benefits	66,443,796	51,789,617
Other long-term liabilities	23,884,941	20,509,248
Total long-term liabilities	102,401,318	85,367,823
Total liabilities	148,180,450	114,658,105
Net assets:		
Net assets without donor restrictions	23,264,972	38,542,676
Net assets with donor restrictions	7,266,212	7,757,497
Total net assets	30,531,184	46,300,173
Total liabilities and net assets	$ 178,711,634	160,958,278

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Operations

Years ended June 30, 2020 and 2019

	2020	2019
Net patient service revenue:		
Patient service revenue (net of contractual allowances and discounts)	$ 199,409,821	203,114,838
Provision for bad debts	(5,266,053)	(11,986,876)
Total net patient service revenue	194,143,768	191,127,962
Other revenue:		
OHSU support	25,321,427	7,556,144
Other revenue	11,792,946	10,266,456
Total other revenue	37,114,373	17,822,600
Total revenue	231,258,141	208,950,562
Operating expenses:		
Salaries and wages	88,626,249	85,227,833
Employee benefits	25,264,423	22,035,510
Supplies and other expenses	81,625,041	75,934,715
Professional fees	26,802,774	18,533,899
Depreciation and amortization	8,498,079	8,176,628
Interest	781,179	733,784
Total operating expenses	231,597,745	210,642,369
Loss from operations	(339,604)	(1,691,807)
Other income:		
Realized income on investments whose use is limited by board designation	1,060,462	713,030
Gain on investments in affiliated companies	3,241,541	1,095,760
(Loss) gain on disposal of property and equipment	(35,493)	90,867
Change in net unrealized losses on investments	(317,369)	—
Other operating revenue	302,482	—
Total other income	4,251,623	1,899,657
Excess of revenue over expenses	3,912,019	207,850
Contributions for property and equipment acquisition	909,425	29,129
Change in net unrealized gain on other-than-trading investments	—	623,095
Pension-related changes	(20,099,148)	(17,050,844)
Decrease in net assets without donor restrictions	$ (15,277,704)	(16,190,770)

See accompanying notes to consolidated financial statements.

TUALITY HEALTHCARE AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended June 30, 2020 and 2019

		2020	2019
Net assets without donor restrictions:			
Excess of revenue over expenses	$	3,912,019	207,850
Contributions for property and equipment acquisition		909,425	29,129
Change in net unrealized gain on other-than-trading securities		—	623,095
Pension-related changes		(20,099,148)	(17,050,844)
Decrease in net assets without donor restrictions		(15,277,704)	(16,190,770)
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,808,800	1,523,300
Investment (loss) income		(190,600)	129,900
Net assets released from restrictions		(2,111,609)	(1,280,816)
Contributions for endowment funds		2,124	28,100
(Decrease) increase in net assets with donor restrictions assets		(491,285)	400,484
Change in net assets		(15,768,989)	(15,790,286)
Net assets, beginning of year		46,300,173	62,090,459
Net assets, end of year	$	30,531,184	46,300,173

See accompanying notes to consolidated financial statements.

(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 (OHSU Foundation) and Doernbecher Children's Hospital Foundation (together, the Foundations) are separately incorporated nonprofit foundations affiliated with OHSU. The primary purpose of the Foundations is to raise money for OHSU research, scientific, charitable, and educational purposes and to promote support for Doernbecher Children's Hospital. Consequently, the financial position and the changes in financial position of the Foundations are blended in the accompanying financial statements.

(Continued)

Additionally, the University Medical Group (UMG) is included as a blended component unit of OHSU. UMG is an Oregon public benefit corporation, organized and operated to provide billing and reporting services solely for the OPP within the School of Medicine at OHSU. The OPP management committee acts as the board of directors for UMG and is responsible for the day-to-day oversight of the clinical practice. As the board of UMG is under the supervision and control of the OPP, and therefore, OHSU, UMG is a blended component unit of OHSU.

On February 1, 2016, OHSU affiliated with Tuality Healthcare (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 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.

(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.

(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 January 2017, GASB issued Statement No. 84, *Fiduciary Activities* (GASB 84), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB 84 establishes criteria for identifying activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. GASB 84 describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds, and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria. The University is currently analyzing the impact of this statement.

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.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests* (GASB 90), which is effective for reporting periods beginning after December 15, 2019. The objective of GASB 90 is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. The University is currently analyzing the impact of this statement.

(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 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, Doernbecher Children's Hospital Foundation, INSCO and UMG 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 is presented discretely since it has a separate board of directors and it does not provide services exclusively to OHSU. It is 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, UMG, OHSU Foundation, and Doernbecher Children's Hospital Foundation that include financial statements and required supplementary information are publicly available. These reports, and those of Tuality, 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, 2020 or 2019.

(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, primarily using net asset values (NAVs). 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.

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 2020 and 2019, OHSU capitalized interest expense of approximately $2,377 and $6,095, 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 Foundations first apply restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted funds are available.

(Continued)

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2020 and 2019 is as follows:

		2020	2019
Restricted expendable:			
Research	$	481,238	506,307
Academic support		47,757	47,974
Instruction		37,666	40,218
Capital projects and planning		24,296	29,756
Student aid		51,193	54,156
Clinical support		10,193	12,525
Institutional support		3,537	3,400
Defined-benefit OPEB		6,200	3,493
Other		21,034	19,271
	$	683,114	717,100
Restricted nonexpendable:			
Research	$	40,865	38,615
Instruction		77,077	74,657
Clinical support		1,469	450
Public service		4,800	4,710
Academic support		102,700	88,370
Student aid		46,430	45,760
Other		22,585	22,200
	$	295,926	274,762

(l) 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 Foundations' spending policy for endowment funds is determined by the boards of trustees and is based on a three-year moving average of the fair value of the endowment fund. The boards of trustees authorized a 4.5% distribution in the years ended June 30, 2020 and 2019.

The Foundations' 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.

The endowment fund investment pool (endowment fund) held by the Foundations 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 Foundations' boards 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 Foundations' boards 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, 2020 and 2019, the fair value of investments in the endowment fund was $735,500 and $773,900, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2020 and 2019 was $48,900 and $60,300, respectively.

Spending distributions were not made for certain endowment accounts during 2020 and 2019 because the market value of the individual endowment accounts dropped below the corpus. Spending distributions on these accounts will be resumed if specifically authorized by the Foundations' boards of trustees or at the time that the earnings of the endowment are sufficient to restore the corpus and support the annual spending distribution. At June 30, 2020 and 2019, the accumulated loss of $214 and $0, respectively, 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, 2020 and 2019, the grants receivable balance was $27,323 and $26,905, 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, 2020 and 2019, the grants unearned revenue balance was $42,474 and $38,309, 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.

(Dollars in thousands)

(q) Net Patient Service Revenue

A summary of patient service revenues during the years ended June 30, 2020 and 2019 is as follows:

		2020	2019
Gross patient charges	$	5,640,374	5,450,576
Contractual discounts		(3,252,987)	(3,078,429)
Bad debt adjustments		(12,112)	(21,221)
Net patient service revenues	$	2,375,275	2,350,926

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. This program replaces several of OHSU's previous funding mechanisms and ended OHSU's participation in Oregon's provider tax in 2018. 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 2020 and 2019, the program generated $129,500 and $116,000, respectively, for research and education.

(Dollars in thousands)

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, 2020 and 2019, OHSU received third-party settlements of $2,598 and $151, respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

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, 2020 and 2019 were approximately as follows:

	2020	2019
Medicare and Medicare managed care contracts	23 %	24 %
Medicaid and OHP	19	21
Commercial and managed care insurance	56	53
Nonsponsored	2	2
	100 %	100 %

(r) Student Tuition and Fees Revenues

A summary of student tuition and fees revenues during the years ended June 30, 2020 and 2019 is as follows. 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 $2,400 for affected programs in fiscal year 2020.

	2020	2019
Gross student tuition	$ 92,129	92,392
Tuition discounts	(14,824)	(14,060)
Student tuition and fees revenues, net	$ 77,305	78,332

(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.

(Continued)

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 $78,097 and $52,799 in 2020 and 2019, respectively.

(t) Pledges and Estates Receivable

Pledges and estates receivable are recorded as receivables and revenues 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 Foundations have 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 Foundations. 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 Foundations have investments with a fair value of $54,100 and $55,400 as at June 30, 2020 and 2019, 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

(Dollars in thousands)

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.

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 2020.

OHSU reviewed the valuation of the note receivable as of June 30, 2020 and 2019 and has retained the current net valuation of $33,500, which represents 0.9% and 0.9% of the University's total net position as of June 30, 2020 and June 30, 2019, 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, 2020 and 2019 is as follows:

		2020	2019
Short-term investments:			
Cash & cash equivalents	$	80	423
U.S. agency securities		3,737	505
Corporate obligations		133,008	118,186
Other fixed income		18,841	115,200
Equities		98,323	90,851
		253,989	325,165

(Dollars in thousands)

	2020	2019
Funds held by trustee, current portion:		
Fixed income	$ 38,062	42,891
	38,062	42,891
Funds held by trustee, less current portion:		
Other fixed income	13,252	13,040
	13,252	13,040
Long-term investments – less current portion:		
Cash and cash equivalents	54,229	28,703
U.S. government securities	201,051	379,017
U.S. agency securities	108,325	57,957
Corporate obligations	391,381	374,797
Fixed income	126,472	152,684
Equities	283,208	369,779
Alternative investments	241,536	204,178
Joint ventures and partnerships	401,091	343,958
Real estate investments and other	60,076	45,143
	1,867,369	1,956,216
Total investments, all categories	$ 2,172,672	2,337,312

The methods used to determine the fair value of financial instruments reflect market participant objectives and are based on the application of a valuation hierarchy. 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.

(Dollars in thousands)

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:

	Level 1	Level 2	Level 3	Fair value
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
	$ 370,969	892,063	29,238	1,292,270
Investments measured using NAV per share or its equivalent				825,084
Equity method investments				55,318
Total assets				$ 2,172,672

(Continued)

(Dollars in thousands)

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, 2019.

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	143,987	—	143,987
U.S. government securities	—	379,017	—	379,017
U.S. agency securities	—	58,462	—	58,462
Domestic equity securities	92,827	2	134	92,963
International equity securities	74,002	—	—	74,002
Commercial paper	—	7,779	—	7,779
U.S. corporate securities	—	283,528	—	283,528
Non-U.S. corporate securities	—	148,886	—	148,886
Asset-backed securities	—	65,745	—	65,745
Venture capital and private equity	—	—	8,554	8,554
Mutual funds – fixed income only	126,704	5,335	—	132,039
Municipal bonds	—	2,326	—	2,326
Other fixed income	1,820	600	—	2,420
Mutual funds – other	151,418	—	—	151,418
Real estate investments and other	1,273	1,607	2,191	5,071
	$ 448,044	1,097,274	10,879	1,556,197
Investments measured using NAV per share or its equivalent				735,820
Equity method investments				45,295
Total assets				$ 2,337,312

(Dollars in thousands)

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

		2020	2019
Balance at beginning of year	$	10,879	52,870
Net realized gains (losses)		16	(115)
Net unrealized gains (losses)		(21)	99
Purchases		14,945	8,569
Sales		(256)	(3,190)
Transfer from (to) NAV per share, or its equivalent, classification from sales		3,675	(47,354)
Balance at end of year	$	29,238	10,879

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, 2020 and 2019:

	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

(Dollars in thousands)

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.

(3) Investments and Related Policies

(a) Interest Rate Risk

As of June 30, 2020 and 2019, OHSU had the following investments and maturities at fair value:

	2020				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
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
	$ 216,842	707,188	54,444	1,194,198	2,172,672

(Dollars in thousands)

	2019				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 143,636	351	—	—	143,987
U.S. government securities	1,029	358,864	17,713	1,411	379,017
U.S. agency securities	505	48,564	1,385	8,008	58,462
Domestic equity securities	—	—	—	128,885	128,885
International equity securities	—	—	—	240,894	240,894
Commercial paper	7,779	—	—	—	7,779
U.S. corporate securities	44,594	226,103	10,929	1,902	283,528
Non-U.S. corporate securities	23,554	121,914	3,418	—	148,886
Asset-backed securities	20,250	23,411	2,539	19,545	65,745
Joint ventures and partnerships	—	—	—	343,957	343,957
Mutual funds – fixed income only	43,833	50,222	25,331	13,120	132,506
Municipal bonds	71	994	1,037	224	2,326
Other fixed income	—	535	65	—	600
Mutual funds, other	—	—	—	151,418	151,418
Alternative investments	—	—	—	204,179	204,179
Real estate investments and other	—	—	—	45,143	45,143
	$ 285,251	830,958	62,417	1,158,686	2,337,312

OHSU held $57,632 and $65,745 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2020 and 2019, 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, 2020 and 2019, 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 Foundations 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.

(b) Credit Risk

The operating and trustee-held portfolios require the following minimum ratings or better from Moody's or Standard & Poor's (S&P) at the date of purchase:

	Minimum Moody's rating	Minimum S&P rating
Bankers acceptances	P-1	A-1
Commercial paper	P-2	A-2
Certificates of deposit	Baa3/P-2	BBB-/A-2
Deposit notes	Baa3/P-2	BBB-/A-2
Eurodollar certificate of deposits (CD) or Eurodollar time deposits	Baa3/P-2	BBB-/A-2
Yankee CDs	Baa3/P-2	BBB-/A-2
Corporate debt	Baa3	BBB-
Foreign government and supranational debt	Baa3	BBB-
Insurance company annuity contracts and guaranteed investment contracts	A3	A-
Mortgage pass-through securities	Aaa	AAA
Structured securities, including asset-backed securities	Aaa	AAA
Pooled investments	Aa	AA
Municipal bonds (taxable or tax-exempt)	A2/P-1	A/A-1

The current fund investment policy requires minimum ratings or better from S & P'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.

(Dollars in thousands)

As of June 30, 2020 and 2019, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total 2020	Total 2019
Cash and money market funds	AAA	$ 6,030	54,493
	AA-	—	1,006
	A+	—	1,005
	A-1+	41,802	74,902
	Not rated	1,012	884
	NA	9	11,697
U.S. government securities	AAA	22,576	87,448
	AA+	176,605	291,569
	AA	577	—
	A+	1,372	—
U.S. agency securities	AAA	14,831	10,649
	AA+	96,920	47,812
	AA	194	—
	A	118	—
	A-1	—	7,779
Commercial Paper	A-1+	2,225	—
	A-1	5,339	—
U.S. corporate securities	AAA	46	714
	AA+	1,666	2,047
	AA	7,877	9,950
	AA-	12,724	19,093
	A+	24,881	36,568
	A	48,860	58,214
	A-	47,774	39,605
	BBB+	79,248	51,076
	BBB	49,018	55,611
	BBB-	14,628	8,493
	BB	1,614	1,164
	B	603	341
	Below B	97	45
	Not rated	347	607
	n/a	66,683	—

(Continued)

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent	Total 2020	Total 2019
Non-U.S. corporate securities			
	AA+	$ 444	
	AA-	15,953	19,158
	A+	22,291	18,791
	A	23,095	33,838
	A-	47,724	28,053
	BBB+	28,008	23,074
	BBB	24,072	17,287
	BBB-	6,316	7,370
	A-1	—	998
	NA	420	319
Asset-backed securities	AAA	32,127	39,430
	AA+	6,397	—
	AA	1,221	4,370
	AA-	—	267
	A	764	753
	BBB	252	280
	BB	110	179
	B	109	62
	Below B	1,530	1,535
	A-1+	4,184	5,247
	Not rated	1,886	2,682
	NA	9,052	10,940
Mutual funds – fixed income only	AAA	87,604	84,940
	AA	4,882	6,456
	A	11,631	14,136
	BBB	13,525	12,606
	BB	4,440	3,574
	B	4,940	4,426
	Below B	3,062	2,828
	Not rated	2,264	3,539
Municipal bonds	AAA	192	163
	AA	3,362	1,995
	A	224	168
	BBB	97	—
	BB	56	—

(Continued)

(Dollars in thousands)

Investment type	Credit rating S&P or equivalent		Total 2020	Total 2019
Other fixed income	BBB	$	85	265
	BB		194	193
	B		234	123
	Below B		15	8
	Not rated		—	10
Joint ventures and partnerships	NA		401,091	343,958
Mutual funds – other	NA		—	151,418
Alternative investments	NA		241,536	204,179
Real estate investments and other	NA		60,076	45,143
Domestic equity securities	NA		201,927	128,885
International equity securities	NA		179,604	240,894
		$	2,172,672	2,337,312

(c) Concentration of Credit Risk

OHSU's operating and trustee-held portfolios limit investments in any one issue to a maximum of 5% (10% prior to investment policy amendment adopted by the board in October 2013) depending upon the investment type, except for issues of the U.S. government, which may be held without limitation, or U.S. government agencies limited to 15% (without limit prior to policy amendment). 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

(Continued)

(Dollars in thousands)

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

As of June 30, 2020 or 2019, OHSU had no investments in excess of the thresholds discussed above.

(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:

		Value (U.S. dollar)	
Foreign currency		**2020**	**2019**
British sterling pound	$	11,264	9,655
Canadian dollar		8,671	8,122
Euro		14,257	19,438
Total	$	34,192	37,215

(Dollars in thousands)

(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, 2020 and 2019 is as follows:

		Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
		As of June 30, 2020	As of June 30, 2019	As of June 30, 2020	As of June 30, 2019	As of June 30, 2020	As of June 30, 2019
Medicaid	$	23,122	14,682	—	—	23,122	14,682
Intergovernmental transfer		16,176	18,984	(1,876)	(4,215)	14,300	14,769
Medicare		—	—	(2,770)	(815)	(2,770)	(815)
Other contractual agencies		8,714	6,351	—	—	8,714	6,351
	$	48,012	40,017	(4,646)	(5,030)	43,366	34,987

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a new program that would leverage additional 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 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 new 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 2020 and 2019, respectively, OHSU made intergovernmental transfers of $321,517 and $299,570 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 $424,642 and $357,415, in fiscal year 2020 and 2019, 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, 2020 and 2019, the University was able to provide support for research and education of $129,500 and $116,000, respectively.

(Dollars in thousands)

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2020 and 2019 are listed by category below:

	2020	2019
Land and land improvements	$ 82,303	83,645
Buildings and other improvements	2,757,678	2,655,655
Equipment	1,072,012	1,058,487
Construction in progress	151,347	102,172
Accumulated depreciation	(1,959,749)	(1,826,963)
Total capital assets, net	$ 2,103,591	2,072,996

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

	Balance June 30, 2019	Increases	Decreases	Balance June 30, 2020
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	(1,341)	82,304
Construction in progress	102,172	163,021	(113,846)	151,347
Total capital assets not depreciated	185,817	163,021	(115,187)	233,651
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	3,714,142	159,462	(43,914)	3,829,690
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	(1,826,963)	(176,593)	43,807	(1,959,749)
Other capital assets, net	1,887,179	(17,131)	(107)	1,869,941
Total capital assets, net	$ 2,072,996	145,890	(115,294)	2,103,592

(Dollars in thousands)

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital assets not depreciated:				
Land and land improvements	$ 83,645	—	—	83,645
Construction in progress	523,114	—	(420,942)	102,172
Total capital assets not depreciated	606,759	—	(420,942)	185,817
Other capital assets:				
Buildings and other improvements	2,123,230	554,193	(21,768)	2,655,655
Equipment	986,769	128,614	(56,896)	1,058,487
Total other capital assets	3,109,999	682,807	(78,664)	3,714,142
Less accumulated depreciation:				
Buildings and other improvements	(951,805)	(93,289)	13,646	(1,031,448)
Equipment	(755,389)	(74,956)	34,830	(795,515)
Total accumulated depreciation	(1,707,194)	(168,245)	48,476	(1,826,963)
Other capital assets, net	1,402,805	514,562	(30,188)	1,887,179
Total capital assets, net	$ 2,009,564	514,562	(451,130)	2,072,996

(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. Vacation pay for unclassified employees is earned at 14.67 hours per month, with a maximum accrual of 256 hours. The maximum payment of unused vacation hours at termination varies from 80 to 136 hours at a 50% payment rate with specific exceptions for certain classes of employees.

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 0.5 FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted an additional 112 sick leave hours prorated by FTE. The additional hours are 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. No liability for sick leave exists for terminated employees, and therefore, no amounts have been accrued in the financial statements.

(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, 2019 measurement date, there were 906 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 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 Comprehensive Annual Financial Report 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.

(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.

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 2020 and 2019, respectively. Amounts contributed postmeasurement date, including fiscal year 2020 and 2019 side account contributions of $10,000, are recorded as deferred outflows in the amount of $60,841 and $47,919 for the years ended June 30, 2020 and 2019, 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.

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, 2020 and 2019 is $503,720 and $456,006, respectively, utilizing a June 30, 2019 and 2018 measurement date, respectively. The net pension liability for the June 30, 2020 and 2019 fiscal year-end was determined based on the results of the December 31, 2017 and December 31, 2016 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 2.91% for the June 30, 2019 measurement date and 3.01% for the June 30, 2018 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.

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

OHSU's pension expense for the years ended June 30, 2020 and 2019 was $109,907 and $72,043, 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.

(Dollars in thousands)

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, 2020 and 2019:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	**2019**	**2020**	**2019**
Differences between expected and actual experience	$ 27,779	15,512	—	—
Changes of assumptions	68,335	106,021	—	—
Net difference between projected and actual earnings on pension plan investments	—	—	(14,280)	(20,250)
Changes in proportionate share	—	—	(39,012)	(45,026)
Differences between contributions and OHSU's proportionate share of system contributions	3,095	4,062	(2,726)	(3,399)
Total (prior to post-MD contributions)	99,209	125,595	(56,018)	(68,675)
Contributions subsequent to the measurement date	60,841	47,919		—
Gross deferred outflow (inflow) of resources	$ 160,050	173,514	(56,018)	(68,675)

The contributions made subsequent to the measurement date of $60,841 will be recognized as a reduction in the net pension liability during the year ending June 30, 2021.

(Dollars in thousands)

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

Fiscal year ending		Deferred outflow (inflow) of resources
2021	$	31,241
2022		(6,776)
2023		9,043
2024		9,291
2025		392
Total	$	43,191

(v) Actuarial Methods and Assumptions

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2020 and 2019.

Actuarial Methods and Assumptions	2020	2019
Valuation date	December 31, 2017	December 31, 2016
Measurement date	June 30, 2019	June 30, 2018
Experience study report	2016, published July 2017 Based on data for the experience period January 1, 2013 to December 31, 2016	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 *Moro* case decision; blend based on service	Blend of 2% COLA and graded COLA (1.25%/0.15%) in accordance with *Moro* case decision; blend based on service

(Dollars in thousands)

Actuarial Methods and Assumptions	2020	2019
Mortality	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sex-distinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** RP-2014 Healthy annuitant, sexdistinct, generational with Unsex, Social Security Data Scale, with collar adjustments and set-backs as described the valuation.
	Active members: RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and setbacks as described in the valuation.	***Active members:*** RP-2014 Employees, sex-distinct, generational with Unisex, Social Security Data Scale, with collar adjustments and set-backs as described in the valuation.
	Disabled retirees: RP-2014 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale.	***Disabled retirees:*** RP-2014 Disabled retirees, sexdistinct, generational with Unsex, Social Security Data Scale.

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 2016 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, 2013 to December 31, 2016.

(vi) Discount Rate

The discount rate used to measure the total pension liability at June 30, 2019 and June 30, 2018 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 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)

OHSU's proportionate share		1% Decrease	Current discount rate	1% Increase
June 30, 2020	$	806,664	503,720	250,199
June 30, 2019		762,072	456,006	203,373

(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.

(1) Assumed Asset Allocation

The following table illustrates both the assumed 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*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
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.

(Dollars in thousands)

The following table illustrates both the assumed 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, 2018:

OIC Target and Actual Investment Allocation as of June 30, 2018*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation
Cash	— %	3.0 %	— %	Cash	5.2 %
Debt securities	15.0	25.0	20.0	Debt securities	18.9
Public equity	32.5	42.5	37.5	Public equity	36.7
Real estate	9.5	15.5	12.5	Real estate	10.1
Private equity	13.5	21.5	17.5	Private equity	19.7
Alternative equity	—	12.5	12.5	Alternative equity	7.3
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 investment classifications, including deferred compensation plan investments.

(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.

(Dollars in thousands)

Asset class	2020 Target allocation*	2020 Compound annual return (Geometric)	2019 Target allocation**	2019 Compound annual return (Geometric)
Core fixed income	8.00 %	3.49 %	8.00 %	3.49 %
Short-term bonds	8.00	3.38	8.00	3.38
Bank/leveraged loans	3.00	5.09	3.00	5.09
High-yield bonds	1.00	6.45	1.00	6.45
Large/mid cap U.S. equities	15.75	6.30	15.75	6.30
Small cap U.S. equities	1.30	6.69	1.30	6.69
Micro cap U.S. equities	1.30	6.80	1.30	6.80
Developed foreign equities	13.13	6.71	13.13	6.71
Emerging market equities	4.12	7.45	4.12	7.45
Non-U.S. small cap equities	1.88	7.01	1.88	7.01
Private equity	17.50	7.82	17.50	7.82
Real estate (property)	10.00	5.51	10.00	5.51
Real estate (REITs)	2.50	6.37	2.50	6.37
Hedge fund of funds – diversified	2.50	4.09	2.50	4.09
Hedge fund – event-driven	0.63	5.86	0.63	5.86
Timber	1.88	5.62	1.88	5.62
Farmland	1.88	6.15	1.88	6.15
Infrastructure	3.75	6.60	3.75	6.60
Commodities	1.88	3.84	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 December 3, 2014. The revised allocation was adopted at the June 7,2017 OIC meeting.

** Based on the OIC Statement of Investment Objectives and Policy Framework for the Oregon Public Employees Retirement Fund, revised as of December 3, 2014. The revised allocation was adopted at the June 26, 2015 OIC meeting.

(b) Other Retirement Plans

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

Effective January 1, 2004, employees participating in PERS (Tier 1, Tier 2, and OPSRP) have had their 6% member contributions placed in the IAP. The IAP is a defined-contribution plan and is managed separately from the defined-benefit portion of the PERS pension plan.

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 2020 and 2019, 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.

In January 2016, the 6% employee contributions that OHSU funded for American Federation of State, County and Municipal Employees (AFSCME) represented employees, were eliminated per a Memorandum of Understanding of the July 19, 2015–June 30, 2019 collective bargaining agreement, which states that the Employer will discontinue the 6% employee contribution pickup for eligible employees participating in the UPP.

In July 2016, the 6% employee contributions that OHSU funded for the OHSU Police Association-represented employees, were eliminated from the July 1, 2016–June 30, 2019 collective bargaining agreement, which states that the Employer shall continue to make a 6% employee retirement plan contribution for eligible employees participating in the UPP prior to the first full-pay period following July 1, 2016, at which time the contribution will be discontinued.

(Dollars in thousands)

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.

		2020	2019
UPP:			
Employer contribution	$	46,850	41,305
Employee contribution [1]		23,519	23,989
	$	70,369	65,294

		2020	2019
CRP:			
Employer contribution	$	31,251	28,620
	$	31,251	28,620

[1] Of the employees' share, the employer paid $23,519 and $23,989 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2020 and 2019, 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. 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. All contributions to these plans are made by the employee and are fully vested at the time of the contribution.

The Foundations have 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 Foundations contributed $1,000 and $1,000 for the purchase of retirement annuities during the fiscal years ended June 30, 2020 and 2019, respectively.

(Dollars in thousands)

(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, 2018, the following employees were covered by the benefit terms.

	October 1, 2019	October 1, 2018
Active employees	14,460	13,018
Retired members and others, receiving benefits	115	101
Total participants	14,575	13,119

(iii) Benefit Payments

Benefit payments made for the fiscal year-end June 30, 2020 and June 30, 2019 were $634 and $458, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2020 and 2019 is $20,955 and $12,335, 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.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

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

Fiscal year ending	June 30, 2020	June 30, 2019
Valuation date	October 1, 2019	October 1, 2017
Measurement date	October 1, 2019	October 1, 2018
Reporting date	June 30, 2020	June 30, 2019
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2016 Oregon PERS Experience Study Based on January 1, 2013 to December 31, 2016
Inflation	2.50 %	2.50 %
Discount rate*	2.66 %	4.18 %

* 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 $860 and $1,033 for the fiscal year ended June 30, 2020 and June 30, 2019, respectively.

As of June 30, 2020 and 2019, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	2019	2020	2019
Differences between expected and actual experience	$ 1,098	—	—	—
Changes of assumptions	7,060	—	(1,037)	(1,249)
Total (prior to post-MD contributions)	8,158	—	(1,037)	(1,249)
Contributions subsequent to the measurement date	634	458	—	—
Gross deferred outflow (inflow) of resources	$ 8,792	458	(1,037)	(1,249)

The contributions made subsequent to the measurement date of $634 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2021.

(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 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 $153 and $1,590 for the years ended June 30, 2020 and June 30, 2019, 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, 2020 and 2019, OHSU reported an asset of $6,200 and $3,493 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2018 and 2017 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2017 and December 31, 2016, 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, 2019 and 2018 measurement date, OHSU's proportionate share was 3.21% and 3.13%, respectively.

(Dollars in thousands)

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 $(1) and $(1), for the year ended June 30, 2020 and 2019, respectively. As of June 30, 2020 and 2019, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2020	**2019**	**2020**	**2019**
Differences between expected and actual experience	$ —	—	(818)	(198)
Changes of assumptions	—	—	(6)	(11)
Net difference between projected and actual earnings on investments	—	—	—	(753)
Changes in proportionate share	17	31	(383)	(18)
Differences between contributions and OHSU's proportionate share of system contributions	—	—	(50)	—
Total (prior to post-MD contributions)	17	31	(1,257)	(980)
Contributions subsequent to the measurement date	153	1,590	—	—
Gross deferred outflow (inflow) of resources	$ 170	1,621	(1,257)	(980)

The contributions made subsequent to the measurement date of $153 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2021.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2017 and 2016 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2020	June 30, 2019
Valuation date	December 31, 2017	December 31, 2016
Measurement date	June 30, 2019	June 30, 2018
Reporting date	June 30, 2020	June 30, 2019
Experience study report	2016, published July 26,2017 Based on data for the experience period January 1,2013 to December 31,2016	2016, published July 26, 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 %

(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, 2020 and 2019, is as follows:

	2020	2019
Revenue Bonds		
Series 1995A	$ 23,027	32,485
Series 2012A, B3, and C	79,230	129,765
Series 2012E	—	126,365
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A, B1, B2, and C	271,125	—
Direct Placement and Direct Purchase Revenue Bonds		
Series 2015A	—	57,050
Series 2015B	—	80,270
Series 2016A	50,000	50,000
Series 2017B	50,000	50,000

(Continued)

(Dollars in thousands)

		2020	2019
Series 2019D	$	50,000	—
Other Debt			
Debt Service Payment Agreement (DSPA)		2,004	3,976
Tenancy in Common Agreement (TIC)		24,080	24,682
Local improvement district agreements		13,251	15,106
Lines of Credit		—	—
Unamortized Bond Premiums and Discounts		67,396	38,512
Capital Leases		1,987	5,825
Less: Current Portion of Long-Term Debt and Capital Leases		(23,419)	(27,890)
Noncurrent Long-Term Debt and Capital Leases	$	973,976	951,441

(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 $23,027 as of June 30, 2020; including principal amount of $5,745 and an accreted interest balance of $17,282. The 1995A Bonds have remaining outstanding maturities due July 1, 2020 through July 1, 2021 requiring quarterly deposits to the bond trustee for debt service. 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.

2009A Revenue Bonds (Refunded)

OHSU Series 2009A Revenue Bonds (2009A Bonds) were advance refunded on February 25, 2016 of fiscal year 2016 by a portion of the OHSU Series 2016B Revenue Bonds. 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 2009A up to the redemption date of July 1, 2019. The debt was considered as defeased in-substance and removed from long-term debt. In the current fiscal year, on the redemption date of July 1, 2019, the funds held in escrow were fully disbursed and the bonds were redeemed for a total payment of principal $158,505 and accrued interest $4,569. While the advance refunding of the Series 2009A 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 2009A Bonds. The balances of the deferred accounting loss from the advance refunding of the 2009A Bonds as of June 30, 2020 and 2019 are $19,442 and $20,640, respectively.

2012ABCD Revenue Bonds (Partially Refunded)

OHSU Series 2012A Revenue Bonds (2012A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $79,230 as of June 30, 2020. The 2012A Bonds have remaining maturities due July 1, 2020 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.

The OHSU Series 2012B-1, Series 2012B-2, Series 2012B-3, Series 2012C, and Series 2012D have been refunded; specifically the OHSU Series 2012B-3 and Series 2012C were refunded on December 19, 2019 of the current fiscal year. The 2012B-3 Bonds in the amount of $28,520 were refunded on a current refunding basis by the OHSU Series 2019B-1 Revenue Bonds, $25,950 fixed rate put bonds issued at a premium of $2,685. The 2012C Bonds in the amount of $14,575 were refunded on a current refunding basis by a portion of the proceeds from the OHSU Series 2019A Revenue Bonds, $131,010 tax-exempt fixed rate bonds issued at a premium of $23,534.

The previous 2012B-3 Bonds and 2012C Bonds were variable rate bonds with interest payments based on prevailing one-month LIBOR rates. While the refunding of these variable rate bonds are deemed to result in an economic gain for the University, the uncertainty of future variable interest rates, execution of put provision, and other considerations make the economic gain subjective in nature. No accounting gain or loss was recorded as a result of the 2012B-3 and 2012C refunding. Refunding the variable rate debt with fixed rate debt eliminated interest rate, tax policy, and remarketing risk, while taking advantage of the reduction in long-term interest rates. Further information on the refunding is provided under "2019ABC Revenue Bonds."

2012E Revenue Bonds (Refunded)

OHSU Series 2012E Revenue Bonds (2012E Bonds) were refunded on December 19, 2019 of the current fiscal year. The 2012E Bonds had an outstanding principal amount of $126,365 and were refunded partially on a current refunding basis and partially on an advance refunding basis. Through a tender offer, $21,900 of the 2012E Bonds was refunded on a current refunding basis by a portion of proceeds from the OHSU Series 2019A Revenue Bonds, $131,010 tax-exempt fixed rate bonds issued at a premium of $23,534. The remaining $104,465 of the 2012E Bonds was refunded on an advance refunding basis by proceeds from the taxable fixed rate OHSU Series 2019C Revenue Bonds, $65,045, and the taxable direct purchase OHSU Series 2019D Revenue Bonds, $50,000.

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, 2020 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, 2020 is $111,899.

The 2012E Bonds had remaining scheduled debt service payments of $190,267 over the next 12 years. In comparison, the 2019A Bonds portion, the 2019C Bonds, and the 2019D Bonds, which refunded the 2012E Bonds have scheduled debt service payments of $178,013 over the next 29 years. As a result, the refunding of the 2012E Bonds decreased debt service payments by $12,254, and generated an economic gain, net present value savings, of $11,456. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss of $9,857, 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 is $9,361 as of June 30, 2020.

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, 2020. 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, 2020. 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 and for capital improvements related to the construction of a new 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 Revenue Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Revenue 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, 2020. 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 Revenue Bonds were issued for capital improvements related to the construction of a new 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) $131,010 were issued on December 19, 2019 at a premium of $23,534. The 2019A Bonds are tax-exempt fixed rate bonds with maturities due beginning July 1, 2020 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) $25,950 were issued on December 19, 2019 at a premium of $2,685. The 2019B1 Bonds are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, and a first optional redemption date of November 1, 2022. The 2019B1 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019B2 Revenue Bonds (2019B2 Bonds) $49,120 were issued on December 19, 2019 at a premium of $8,214. The 2019B2 Bonds and are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, and a first optional redemption date of November 1, 2024. The 2019B2 Bonds require semiannual debt service payments at a coupon rate of 5.0%.

OHSU Series 2019C Revenue Bonds (2019C Bonds) $65,045 were issued on December 19, 2019. The 2019C Bonds are taxable fixed rate bonds with 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 a portion of 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, 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

2015AB Revenue Bonds

OHSU Series 2015A (2015A Bonds) and Series 2015B (2015B Bonds) Revenue Bonds were both refunded on December 19, 2019 of the current fiscal year. The 2015A Bonds in the amount of $57,050 were refunded on a current refunding basis by the OHSU Series 2019B-2 Revenue Bonds. The 2015B Bonds in the amount of $78,970 were refunded on a current refunding basis by a portion of proceeds from the OHSU Series 2019A Revenue Bonds.

The previous 2015A Bonds and 2015B Bonds were variable rate bonds with interest payments based on prevailing one-month LIBOR rates and an applicable spread. While the refunding of these variable rate bonds are deemed to result in an economic gain for the University, the uncertainty of future variable interest rates, execution of put provision, and other considerations make the economic gain subjective in nature. No accounting gain or loss was recorded as a result of the 2015A and 2015B refunding. Refunding the variable rate debt with fixed rate debt eliminated interest rate, tax policy, and remarketing risk, while taking advantage of the reduction in long-term interest rates. Further information on the refunding is provided under "2019ABC Revenue 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, 2020. The 2016A Bonds were issued for capital improvements related to the construction of a new 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, 2020. The 2017B Bonds were issued for capital improvements related to the construction of a new 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) were issued on December 19, 2019 in the amount of $50,000. The 2019D Bonds are taxable fixed rate direct purchase rate bonds with an outstanding principal amount of $50,000 as of June 30, 2020. 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 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

Debt Service Payment Agreement (DSPA)

OHSU became an independent public corporation pursuant to an act of the Oregon Legislative Assembly in 1995 (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 a DSPA, dated as of July 1, 1995, as subsequently amended (the State DSPA), pursuant to which OHSU makes semiannual payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to such previously issued debt. The total amount of principal and accreted interest outstanding under the State DSPA is $2,004 as of June 30, 2020, including principal amount of $1,073 and an accreted interest balance of $931. Payment under the terms of the State DSPA by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

Tenancy in Common Agreement – Robertson Life Sciences Building

During fiscal year 2011, OHSU entered into a joint construction project with the Oregon State Board of Higher Education (previously referred to as Oregon University System) 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 agreed to pay to the State one half of each assigned scheduled fixed rate Series 2011F and G State Bonds debt service issued to fund the construction of the project. OHSU makes semiannual payments to the State in amounts sufficient to pay when due all principal, interest, and any other charges with respect to these bonds. The total amount of principal outstanding for OHSU portion of debt is $24,080 as of June 30, 2020. Payments under the terms of the TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

Local Improvement District Assessments

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 LID 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, 2020 and 2019 are $13,251 and $15,106, respectively, and have been included in long-term debt in the statements of net position.

(Dollars in thousands)

(d) Lines of Credit

OHSU established two lines of credit on April 14, 2020. The two lines of credit are in the amounts of $100,000 and $50,000, respectively, and both credit agreements have a maturity date within one year ending on April 13, 2021. Interest is payable on a monthly basis and interest rates are variable based on the one-month LIBOR rate and an applicable spread. As of June 30, 2020, OHSU has not drawn on these lines of credit. Both lines of credit are subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable.

(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, 2020 and June 30, 2019 are $67,396 and $38,512. The 2019A, 2019B1, and 2019B2 Bonds were issued on December 19, 2019 at a premium totaling $34,433.

(f) Interest Rate Swap Agreement

As of June 30, 2020 and 2019, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2020 and 2019 are as follows:

	Notional		Fair value	
	2020	**2019**	**2020**	**2019**
Wells Fargo swap	$ 70,200	70,200	(26,699)	(13,413)
	$ 70,200	70,200	(26,699)	(13,413)

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 cash payments made to the swap counterparty were $1,030 and $590 during the years ended June 30, 2020 and 2019, 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, 2020, 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 $14,815 and $13,871 as of June 30, 2020 and 2019, respectively. The deferred amortization of debt instruments is $7,342 and $7,330 as of June 30, 2020 and 2019, respectively. OHSU continues to amortize both the companion debt instrument and the deferred amortization of debt instruments. In addition, without the hedged debt 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. An unrealized loss of $11,884 related to the swap has been recorded as of June 30, 2020.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2020 and 2019, 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) Subsequent Debt Activity

On July 16, 2020 of fiscal year 2021, the State of Oregon refunded a portion of the bonds assigned to the State Debt Service Payment Agreement and Tenancy in Common Agreement. Under these two agreements, OHSU is required to make semiannual debt service payments to the State of Oregon for State debt issued for the benefit of OHSU. The State of Oregon refunded OHSU assigned debt from the State Bonds Series 2010A, Series 2011E, Series 2011G, and a portion of the Series 2012A for a total principal amount of $11,988. To refund this debt, the State issued the Series 2020O 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.

(Dollars in thousands)

(h) 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:		
2021	$	1,003
2022		1,001
2023		58
2024		13
2025		—
		2,075
Less amount representing interest		(88)
		1,987
Less current portion		(943)
	$	1,044

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

Long-term debt and capital lease balances as of June 30, 2020 and 2019 are $997,395 and $979,331, respectively. As of June 30, 2020, the total long-term debt balance of $997,395 includes the current portion of $23,419 and the noncurrent portion of $973,976. 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.

(Dollars in thousands)

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

	Principal	Interest	Total
Year(s) ending June 30:			
2021	$ 14,107	47,060	61,167
2022	14,891	46,384	61,275
2023	23,127	35,943	59,070
2024	23,393	34,878	58,271
2025	24,215	33,929	58,144
2026–2030	135,631	152,792	288,423
2031–2035	148,215	124,796	273,011
2036–2040	146,038	93,460	239,498
2041–2045	173,175	57,060	230,235
2046–2050	208,995	8,084	217,079
	$ 911,787	634,386	1,546,173

(j) *Changes in Long-Term Liabilities*

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2020 and 2019 is summarized below:

	June 30, 2019 Balance	Increases	Decreases	June 30, 2020 Current Portion	June 30, 2020 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)	22,477	972,931
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
	$ 1,564,958	684,367	(598,575)	57,355	1,593,395

(Dollars in thousands)

	June 30, 2018 Balance	Increases	Decreases	June 30, 2019 Current Portion	June 30, 2019 Noncurrent Portion
Liability for self-funded insurance programs	$ 67,945	31,009	(26,051)	33,221	39,682
Liability for life income agreements	23,975	2,560	(3,300)	—	23,235
Long-term debt	998,071	—	(24,565)	23,971	949,535
Long-term capital leases	3,580	3,460	(1,215)	3,919	1,906
Other noncurrent liabilities	34,754	33	(1,304)	—	33,483
Pension liability	424,000	249,928	(217,922)	—	456,006
	$ 1,552,325	286,990	(274,357)	61,111	1,503,847

(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, 2020 and 2019:

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

(Dollars in thousands)

	2019			
	Agreements		Asset	Liability
Charitable remainder unitrusts	3	$	2	1
Charitable lead unitrusts	1		1,011	299
Charitable gift annuities	13		1,545	902
Total	17	$	2,558	1,202

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, 2020 and 2019 are as follows:

	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	240	$	54,077	20,741

	2019			
	Agreements		Asset	Liability
Charitable remainder unitrusts	64	$	23,820	7,922
Charitable lead unitrusts	3		21,615	8,451
Charitable remainder trust annuities	1		117	79
Charitable gift annuities	191		10,446	6,185
Life estate agreements	3		996	598
Total	262	$	56,994	23,235

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.

(Continued)

(Dollars in thousands)

(11) Funds Held in Trust by Others

The Foundations are the named beneficiaries of 40 and 41 trusts held by outside trustees as of June 30, 2020 and 2019, respectively. The reported fair market value of trust assets held by others was $47,100 and $50,200 of the years ended June 30, 2020 and 2019, respectively. The Foundations record contributions as trust distributions occur. Trust distributions of $1,900 and $2,400 were recorded as contributions during the fiscal years ended June 30, 2020 and 2019, respectively.

(12) Pledges and Estates Receivables

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

	2020	2019
Pledges maturing within 1 year	$ 86,308	72,949
Pledges maturing within 2–10 years	323,229	372,939
	409,537	445,888
Less allowance for uncollectible pledges	(2,373)	(2,420)
	407,164	443,468
Less discount for net present value	(14,711)	(19,814)
Total net pledges receivable	392,453	423,654
Estates receivable	15	1,935
Less allowance for uncollectible estates	(1)	(97)
Total net estates receivable	14	1,838
Total pledges and estates receivable	$ 392,467	425,492

(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 $4,500 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.

(Continued)

(Dollars in thousands)

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.

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 2020 and 3.0% in 2019 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

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 31.4% and 34.2% as of June 30, 2020 and 2019, 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 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.

Insco 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 $19,240 and $17,957 as of June 30, 2020 and 2019, 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, 2020, approximately 55% of OHSU's employees are represented by labor organizations: 15% of OHSU's employees are nurses represented by the ONA, 39% 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 August 30, 2020. 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, 2021.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $34,136 and $42,362 at June 30, 2020 and 2019, 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.

(Dollars in thousands)

Rental expenses under operating leases were approximately $21,582 and $22,393 in 2020 and 2019, respectively. The following is a schedule of future minimum rental commitments under operating leases as of June 30, 2020 and 2019 that have initial or remaining lease terms in excess of one year:

Year ending June 30:		
2021	$	16,853
2022		12,815
2023		10,690
2024		8,046
2025		7,675
Thereafter		18,430
	$	74,509

(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.

For fiscal years 2020 and 2019, operating income support amounted to $25,321 and $7,556, respectively. The operating cash flow capital advance, recorded as a note receivable, in other noncurrent assets on the statements of net position, was $4,036 and $7,952 for the years ended June 30, 2020 and 2019, 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 $19,300 against the note receivable under other noncurrent assets as of June 30, 2020. The total note receivable as of June 30, 2020 was $19,300.

(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).

For fiscal years 2020 and 2019, OHSU's support payment to Adventist amounted to $10,000 and $5,000 per year as the net share payment cap was met, respectively. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $992 for physician recruitments in fiscal year 2020.

(Dollars in thousands)

(14) Blended Component Units

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

	2020						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
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 outflows	206,985	—	—	—	—	—	206,985
Total assets and deferred outflows	$ 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 inflows	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 inflows, and net position	$ 4,405,425	82,973	12,520	1,419,565	92,737	(61,164)	5,952,056

(Dollars in thousands)

	2019						
	University	INSCO	UMG	OHSUF Foundation	DCH Foundation	Eliminations/ reclassifications	Total combined
Assets:							
Current assets	$ 1,003,339	68,174	12,058	98,912	4,967	(61,603)	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	2,072,351	—	478	167	—	—	2,072,996
Other noncurrent assets	899,181	—	—	1,386,424	86,383	—	2,371,988
Total noncurrent assets	2,971,532	—	478	1,386,591	86,383	—	4,444,984
Total assets	3,974,871	68,174	12,536	1,485,503	91,350	(61,603)	5,570,831
Deferred outflows	205,752	—	—	—	—	—	205,752
Total assets and deferred outflows	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583
Liabilities:							
Current liabilities	$ 449,792	871	3,595	66,695	669	(61,603)	460,019
Noncurrent liabilities	1,441,698	36,111	7	24,314	1,717	—	1,503,847
Total liabilities	1,891,490	36,982	3,602	91,009	2,386	(61,603)	1,963,866
Deferred inflows	73,381	—	—	117,943	2,194	—	193,518
Net position:							
Net investment in capital assets	1,239,137	—	—	167	—	—	1,239,304
Restricted, expendable	82,979	—	—	608,639	25,482	—	717,100
Restricted, nonexpendable	—	—	—	244,651	30,111	—	274,762
Unrestricted	893,636	31,192	8,934	423,094	31,177	—	1,388,033
Total net position	2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199
Total liabilities, deferred inflows, and net position	$ 4,180,623	68,174	12,536	1,485,503	91,350	(61,603)	5,776,583

(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2020 and 2019 is as follows:

	2020						
	University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
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	7,088	—	—	—	—	(3,727)	3,361
Nonexpendable donations	—	—	—	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

(Dollars in thousands)

	2019						
	University	**INSCO**	**UMG**	**OHSUF Foundations**	**DCH Foundations**	**Eliminations/ reclassifications**	**Total combined**
Operating revenues:							
Patient service revenue	$ 2,350,926	—	—	—	—	—	2,350,926
Student tuition and fees, net	78,332	—	—	—	—	—	78,332
Gifts, grants, and contracts	679,603	—	—	55,217	14,962	(138,702)	611,080
Other revenue	135,961	19,893	19,229	3,516	134	(40,953)	137,780
Total operating revenues	3,244,822	19,893	19,229	58,733	15,096	(179,655)	3,178,118
Operating expenses:							
Salaries, wages, and benefits	1,832,965	—	12,549	13,622	—	—	1,859,136
Defined-benefit pension	72,043	—	—	—	—	—	72,043
Services, supplies, and other	990,334	17,224	5,647	156,361	18,801	(204,878)	983,489
Depreciation and amortization	186,526	—	95	99	—	—	186,720
Interest	31,300	—	—	—	—	—	31,300
Total operating expenses	3,113,168	17,224	18,291	170,082	18,801	(204,878)	3,132,688
Operating income (loss)	131,654	2,669	938	(111,349)	(3,705)	25,223	45,430
Nonoperating revenues (expenses):							
Investment income and change in fair value of investments	74,606	4,281	1	58,410	3,812	—	141,110
State appropriations	37,276	—	—			—	37,276
Other	(8,040)	—	—	5,006	(955)	—	(3,989)
Total nonoperating revenues (expenses), net	103,842	4,281	1	63,416	2,857	—	174,397
Net income (loss) before other changes in net position	235,496	6,950	939	(47,933)	(848)	25,223	219,827
Other changes in net position:							
Contributions for capital and other	32,816	—	—	—	—	(25,223)	7,593
Nonexpendable donations	—	—	—	23,192	1,296	—	24,488
Total other changes in net position	32,816	—	—	23,192	1,296	(25,223)	32,081
Total increase (decrease) in net position	268,312	6,950	939	(24,741)	448	—	251,908
Net position – beginning of year	1,947,440	24,242	7,995	1,301,292	86,322	—	3,367,291
Net position – end of year	$ 2,215,752	31,192	8,934	1,276,551	86,770	—	3,619,199

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2020 and 2019 is as follows:

2020		University	INSCO	UMG	OHSUF 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

2019		University	INSCO	UMG	OHSUF Foundations	DCH Foundations	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$	322,655	7,212	1,497	(91,513)	(3,313)	—	236,538
Net cash provided by noncapital financing activities		57,377	—	—	(456)	(41)	—	56,880
Net cash provided by (used in) capital and related financing activities		(296,203)	—	(396)	(4)	—	—	(296,603)
Net cash provided by (used in) investing activities		(50,746)	(6,529)	—	91,813	2,744	—	37,282
Net change in cash and cash equivalents		33,083	683	1,101	(160)	(610)	—	34,097
Cash and cash equivalents, beginning of year		16,726	3,402	8,662	20,771	3,357	—	52,918
Cash and cash equivalents, end of year	$	49,809	4,085	9,763	20,611	2,747	—	87,015

(15) Coronavirus Impacts

On March 11, 2020, the World Health Organization declared the Novel Coronavirus DiseaseOutbreak a global pandemic and shortly following a national emergency declaration concerning the COVID-19 outbreak was enacted. Subsequently, OHSU has been operating under Federal Government, along with State and local, mandates as of March 13, 2020, including a State of Emergency for Oregon declared by Governor Kate Brown in early March, which extended through the fiscal year-end. 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.

CARES Act Provider Relief Funds

The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is an economic stimulus bill passed by Congress and signed into law on March 27, 2020. The CARES Act Provider Relief Fund supports healthcare providers in the battle against the COVID-19 pandemic. Through the Coronavirus Aid, Relief, and Economic Security Act and the Paycheck Protection Program and Health Care Enhancement Act (PPPHCEA), the federal government has allocated $175 billion to the Public Health and Social Services Emergency Fund, to reimburse eligible healthcare providers for COVID-19 related expenses, through payments from what is now referred to as the Provider Relief Fund (PRF).

Qualified providers of healthcare, services, and support may receive PRF payments for healthcare-related expenses or lost revenue due to COVID-19. Separately, the COVID-19 Uninsured Program reimburses providers for testing and treating uninsured individuals with COVID-19. These distributions do not need to be repaid to the US government, assuming recipients comply with the terms and conditions.

The U.S Department of Health and Human Services (HHS) provided $50 billion, in the Phase 1 General Distribution, to providers who bill Medicare fee-for-service in order to provide financial relief during the coronavirus pandemic. On April 10, 2020, HHS distributed $30 billion to eligible providers throughout the American healthcare system based on each provider's share of total Medicare fee-for-service reimbursement in 2019. Shortly thereafter on April 24, 2020, an additional $20 billion was distributed proportional to providers' share of 2018 net patient revenue.

In fiscal year 2020, OHSU received $36,872 from the Phase 1 General Distribution, based on an allocated proportion of net patient revenue and were recognized as nonoperating revenue for the year ended June 30, 2020. All Provider Relief Funds awarded to OHSU (via the Public Health and Social Services Emergency Fund) have been applied toward lost operating income due to the cancellation of elective procedures in accordance with the Governor's Executive Order.

HHS allocated targeted distribution funding to providers in areas particularly impacted by the COVID-19 outbreak, rural providers, and providers requesting reimbursement for the treatment of uninsured. OHSU received $440 from the rural health distribution to support OHSU's Scappoose Clinic and was applied toward lost operating income for the clinic. The funds are reflected in nonoperating revenue for the year ended June 30, 2020.

(Continued)

HHS also allocated a portion of the Provider Relief Fund to be used to be used to reimburse providers for- COVID-19-related treatment of uninsured patients at Medicare rates. In fiscal year 2020, OHSU received and recognized $11 in operating revenue as a part of patient service revenue.

The CARES Act temporarily suspends the -2% sequestration payment adjustment on Medicare fee-for-service payments. This means that providers will see a 2% payment increase on Medicare claims effective May 1, 2020. The increase is effective for claims with dates of service from May 1, 2020, through December 31, 2020. In fiscal year 2020, $821 is reflected in operating revenue as a part of patient service revenue.

The CARES Act created a 20% premium, or add-on, for COVID-19 Medicare inpatients. In fiscal year 2020, $44 is reflected in operating revenue – patient service revenue.

Cares Act Higher Education Emergency Relief Fund

The CARES Act establishes and funds the Higher Education Emergency Relief Fund (HEERF), which allows institutions to provide emergency financial aid grants to students whose lives have been disrupted, many of whom are facing financial challenges and struggling to make ends meet, and also allows institutions of higher education to use up to 50 percent of the funds they receive to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus, or to provide refunds to students for room and board, tuition, and other fees as a result of significant changes to the delivery of instruction, including interruptions in instruction, due to the coronavirus.

OHSU received $1,012 from HEERF and used half of the funding for grants to students and the remainder to cover support the delivery of instruction online. 1,467 students were verified as eligible to participate under Section 484 of Title IV of the Higher Education Act of 1965 and also eligible to receive Emergency Financial Aid Grants to students under Section 18004(a)(1) of the CARES Act. Of those eligible, 438 students received grants. OHSU provided students with emergency grants in amounts ranging from $100 to $1,900, based on student reported expenses through OHSU's online application process in total $506. This funding is reflected in operating revenue within gifts, grants, and contracts.

In spring term 2020, OHSU provided tuition and fee refunds of $2,416 to students in academic programs where clinical or experiential learning was cancelled, due to patient and student safety concerns related to the pandemic, and could not be substituted by equivalent educational experiences. With the CARES Act institutional portion of $506, OHSU covered part of the tuition and fee refunds to students. The recognition of the funding is reflected under nonoperating revenue – Cares Act nonexchange in the financial statements.

Additionally, the CARES Act waives the requirement that OHSU pay a matching share of Federal Work-Study (FWS) program wages and Federal Supplemental Educational Opportunity Grants (FSEOG) in 2019-20 and 2020-21. The CARES Act allows colleges and universities to transfer leftover Federal Work-Study funding into the FSEOG program, so that the money may be awarded to students as grants. OHSU transferred unspent FWS to SEOG and awarded it as Emergency Grants to students.

(Continued)

Families First Coronavirus Response Act

The Families First Coronavirus Response Act (FFCRA), Section 6008, provides a temporary 6.2 percentage point increase to each qualifying state and territory's Federal Medical Assistance Percentage (FMAP) under section 1905(b) of the Social Security Act (the Act) effective beginning January 1, 2020 and extending through the last day of the calendar quarter in which the public health emergency declared by the Secretary of Health and Human Services for COVID-19, including any extensions, terminates. As a result, OHSU received in fiscal year 2020 federally matched funds through the State of Oregon. The funding increase is effective through December 31, 2020 and is recorded through revenue deductions.

Loans

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 and suppliers to receive advances on future Medicare reimbursement. OHSU received $145,975 in federal Medicare advances in fiscal year 2020. These funds are reflected on the financial statements under Medicare Advance Payment current liability. The recoupment or repayment process begins 120 days after receipt, which will occur in OHSU's fiscal year 2021.

Finally, under the CARES Act employers are allowed to defer the deposit and payment of the employer's share of Social Security taxes, OHSU deferred $24,113 of applicable payroll taxes from the date the Act was signed into law through June 30, 2020. These funds are reflected on the financial statements under accrued salaries, wages, and benefits current liability. OHSU will continue to defer payroll taxes through December 31, 2020, per the regulation. The deferred amounts will be due in two equal installments on December 31, 2021 and December 31, 2022.

Risk Factors

The impacts of the current COVID-19 pandemic are presenting unprecedented risks and uncertainties in all missions across OHSU, and continued volatility in the financial markets and economy bring additional challenges. Depending on the magnitude of such effects, OHSU may be affected by changes in patient payor mix (shifting from commercial or private to government due to unemployment), reduced volume in patient activities, additional costs to operate in a COVID-19 environment, decreased grant awards and research, and impacts to the appropriations provided by the State of Oregon.

In the current fiscal year, the CARES Act funding provided some 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. Additionally, the Department of Health and Human Services (HHS) published its Provider Reporting Guidelines on September 19, 2020. The Guidelines include the reporting timing and deadlines and methodology for calculating lost revenues attributable to COVID-19. This new guidance is effective on the date of enactment. While OHSU has not completed the evaluation of the potential impacts, management expects the guidance to change the calculation methodology that determines the accounting recognition of the Provider Relief Fund distributions.

OHSU continues to build strategies and policies and take actions to proactively manage evolving developments, and to aggressively pursue additional relief measures provided through the CARES Act and other available funding.

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

(Dollar amounts in thousands)

Defined-benefit pension plan[1]		2020	2019	2018	2017	2016	2015
OHSU's proportion of the net pension (asset) liability (rounded)		2.91 %	3.01 %	3.51 %	3.51 %	3.98 %	4.26 %
OHSU's proportionate share of the net pension (asset) liability	$	503,720	456,006	424,000	526,200	228,337	(96,652)
Covered payroll		330,868	323,343	337,473	326,959	345,363	365,618
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		152.24 %	141.03 %	125.64 %	160.94 %	66.12 %	(26.44)%
Plan fiduciary net position as a percentage of the total pension liability		80.20 %	82.10 %	83.10 %	80.50 %	91.90 %	103.60 %

[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 30[1]		2020	2019	2018	2017	2016	2015
Contractually required contributions	$	50,841	37,919	37,087	30,809	31,353	30,250
Contributions in relation to the contractually required contributions		60,841	47,919	47,087	30,809	31,353	37,750
Contribution excess	$	(10,000)	(10,000)	(10,000)	—	—	(7,500)
OHSU's covered payroll	$	340,369	330,868	323,343	337,473	326,959	345,363
Contributions as a percentage of covered payroll		17.88 %	14.48 %	14.56 %	9.13 %	9.59 %	10.93 %

[1] Ten-year trend information will be presented prospectively.

See accompanying independent auditors' report.

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2020 with comparitive totals for June 30, 2019

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Current assets:							
Cash and cash equivalents	$ 330,047	69,434	399,481	23,261	—	422,742	87,015
Short-term Investments	209,232	44,677	253,909	80	—	253,989	325,165
Current portion of funds held by trustee	23,479	14,583	38,062	—	—	38,062	42,891
Patients accounts receivable, net of bad debt allowances of $1,528 and $3,150 – in 2020 and 2019	390,304	622	390,926	—	—	390,926	390,249
Student receivables	—	28,644	28,644	—	—	28,644	26,184
Grant and contract receivable	—	61,970	61,970	—	—	61,970	62,550
Current portion of pledges and estates receivable	—	—	—	85,605	—	85,605	74,160
Other receivables, net	33,285	66,861	100,146	2,437	(56,496)	46,087	43,274
Inventories, at cost	46,550	2,673	49,223	—	—	49,223	44,421
Prepaid expenses	13,095	19,305	32,400	367	—	32,767	29,938
Total current assets	1,045,992	308,769	1,354,761	111,750	(56,496)	1,410,015	1,125,847
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,069,392	1,034,095	2,103,487	104	—	2,103,591	2,072,996
Funds held by trustee – less current portion	11,012	2,240	13,252	—	—	13,252	13,040
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	46,828	46,828	605,805	—	652,633	680,006
Long-term investments, unrestricted	527,889	201,642	729,531	485,205	—	1,214,736	1,276,210
Total long-term investments	527,889	248,470	776,359	1,091,010	—	1,867,369	1,956,216
Prepaid financing costs, net	1,243	462	1,705	—	—	1,705	1,932
Pledges and estates receivable – less current portion	—	—	—	306,862	—	306,862	351,332
Restricted postemployment benefit asset	—	6,200	6,200	—	—	6,200	3,493
Other noncurrent assets	—	—	—	2,577	—	2,577	12,475
Interest in the Foundations	—	1,341,511	1,341,511	—	(1,341,511)	—	—
Total noncurrent assets	1,609,536	2,666,478	4,276,014	1,400,553	(1,341,511)	4,335,056	4,444,984
Total assets	2,655,528	2,975,247	5,630,775	1,512,303	(1,398,007)	5,745,071	5,570,831
Deferred outflows:							
Deferred amortization of derivative instruments	4,097	3,245	7,342	—	—	7,342	7,330
Loss on refunding of debt	26,427	3,770	30,197	—	—	30,197	22,306
Pension obligation	—	160,050	160,050	—	—	160,050	173,514
Goodwill	435	—	435	—	—	435	523
Other postemployment benefits (OPEB) obligation	—	8,961	8,961	—	—	8,961	2,079
Total deferred outflows	30,959	176,026	206,985	—	—	206,985	205,752
Total assets and deferred outflows	$ 2,686,487	3,151,273	5,837,760	1,512,303	(1,398,007)	5,952,056	5,776,583

(Continued)

Schedule 1

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

Year ended June 30, 2020 with comparitive totals for June 30, 2019

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Current liabilities:							
Current portion of long-term debt	$ 13,575	8,901	22,476	—	—	22,476	23,971
Current portion of long-term capital leases	865	78	943	—	—	943	3,919
Current portion of self-funded insurance programs liability	—	33,935	33,935	—	—	33,935	33,221
Accounts payable and accrued expenses	103,946	41,240	145,186	9,354	—	154,540	168,693
Accrued salaries, wages, and benefits	20,821	85,367	106,188	—	—	106,188	101,775
Compensated absences payable	40,276	28,720	68,996	—	—	68,996	62,338
Unearned revenue	11,521	63,022	74,543	—	—	74,543	60,565
Unearned/Medicare Advance Payment	137,629	8,346	145,975	—	—	145,975	—
Other Current Liabilities	4,185	222	4,407	56,549	(56,496)	4,460	5,537
Total current liabilities	332,818	269,831	602,649	65,903	(56,496)	612,056	460,019
Noncurrent liabilities:							
Long-term debt – less current portion	642,414	330,518	972,932	—	—	972,932	949,535
Long-term capital leases – less current portion	898	146	1,044	—	—	1,044	1,906
Liability for self-funded insurance programs – less current portion	—	39,861	39,861	—	—	39,861	39,682
Liability for life income agreements	—	—	—	20,741	—	20,741	23,235
Pension Liability	—	503,720	503,720	—	—	503,720	456,006
Other noncurrent liabilities	14,901	37,453	52,354	2,744	—	55,098	33,483
Total noncurrent liabilities	658,213	911,698	1,569,911	23,485	—	1,593,396	1,503,847
Total liabilities	991,031	1,181,529	2,172,560	89,388	(56,496)	2,205,452	1,963,866
Deferred inflows:							
Deferred amortization of derivative instruments	—	—	—	—	—	—	643
Gain on refunding of debt	805	741	1,546	—	—	1,546	1,834
Life income agreements	—	—	—	33,269	—	33,269	33,681
Pending Funds	—	—	—	48,135	—	48,135	86,456
Pension obligation	—	56,018	56,018	—	—	56,018	68,675
Other Postemployment Benefits (OPEB) obligation	—	2,294	2,294	—	—	2,294	2,229
Total Deferred Inflows	805	59,053	59,858	81,404	—	141,262	193,518
Net position:							
Investments in capital assets	461,098	793,107	1,254,205	—	—	1,254,205	1,239,304
Restricted, expendable	—	683,114	683,114	592,044	(592,044)	683,114	717,100
Restricted, nonexpendable	—	295,926	295,926	295,926	(295,926)	295,926	274,762
Unrestricted	1,233,553	138,544	1,372,097	453,541	(453,541)	1,372,097	1,388,033
Total net position	1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199
Total liabilities, deferred inflows, and net position	$ 2,686,487	3,151,273	5,837,760	1,512,303	(1,398,007)	5,952,056	5,776,583

See accompanying independent auditors' report.

Schedule 2

OREGON HEALTH & SCIENCE UNIVERSITY

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

Years ended June 30, 2020 and 2019

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2020	2019
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $12,112 and $21,221 – in 2020 and 2019	$ 1,909,408	465,867	2,375,275	—	—	2,375,275	2,350,926
Student tuition and fees, net	—	77,305	77,305	—	—	77,305	78,332
State appropriations	1,382	38,199	39,581	—	(39,581)	—	—
Gifts, grants, and contracts	38,642	659,515	698,157	85,254	(118,765)	664,646	611,080
Other	146,584	53,660	200,244	2,091	(6,440)	195,895	137,780
Research and education support	(129,500)	129,500	—	—	—	—	—
Total operating revenues	1,966,516	1,424,046	3,390,562	87,345	(164,786)	3,313,121	3,178,118
Operating expenses:							
Salaries, wages, and benefits	912,587	1,114,512	2,027,099	14,578	—	2,041,677	1,859,136
Defined-benefit pension	—	109,907	109,907	—	—	109,907	72,043
Services, supplies, and other	992,537	134,585	1,127,122	136,424	(128,932)	1,134,614	983,489
Depreciation and amortization	96,230	80,387	176,617	83	—	176,700	186,720
Interest	23,451	13,205	36,656	—	—	36,656	31,300
Total operating expenses	2,024,805	1,452,596	3,477,401	151,085	(128,932)	3,499,554	3,132,688
Operating income (loss)	(58,289)	(28,550)	(86,839)	(63,740)	(35,854)	(186,433)	45,430
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	56,662	5,271	61,933	20,945	—	82,878	141,110
State appropriations	—	—	—	—	39,581	39,581	37,276
CARES Act grants	33,476	4,383	37,859	—	—	37,859	—
Other	(11,676)	(412)	(12,088)	(447)	—	(12,535)	(3,989)
Total nonoperating revenues (expenses), net	78,462	9,242	87,704	20,498	39,581	147,783	174,397
Net income (loss) before contributions for capital and other	20,173	(19,308)	865	(43,242)	3,727	(38,650)	219,827
Other changes in net position:							
Contributions for capital and other	8,633	(1,545)	7,088	—	(3,727)	3,361	7,593
Change in interest in the Foundations	—	(21,810)	(21,810)	—	21,810	—	—
Nonexpendable donations	—	—	—	21,432	—	21,432	24,488
Total other changes in net position	8,633	(23,355)	(14,722)	21,432	18,083	24,793	32,081
Total increase (decrease) in net position	28,806	(42,663)	(13,857)	(21,810)	21,810	(13,857)	251,908
Net position – beginning of year	1,665,845	1,953,354	3,619,199	1,363,321	(1,363,321)	3,619,199	3,367,291
Net position – end of year	$ 1,694,651	1,910,691	3,605,342	1,341,511	(1,341,511)	3,605,342	3,619,199

See accompanying independent auditors' report.