OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Financial Statements
and Supplementary Information

June 30, 2022 and 2021

(Dollars in thousands)

(With Independent Auditors' Report Thereon)

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

Table of Contents

KPMG LLP
Suite 3800
1300 South West Fifth Avenue
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Independent Auditors' Report

The Board of Directors
Oregon Health & Science University:

Opinions

We have audited the financial statements of the business-type activities and the aggregate discretely presented component units of Oregon Health & Science University (OHSU), as of and for the years ended June 30, 2022 and 2021, 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.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of OHSU, as of June 30, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of OHSU and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As discussed in Note 1(c) to the basic financial statements, in fiscal year 2022, OHSU adopted Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, and GASB Statement No. 96, Subscription-Based Information Technology Arrangements. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OHSU's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about OHSU's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis, schedule of OHSU's proportionate share of the net pension (asset) liability and related ratios, and schedule of defined-benefit pension plan contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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 audits 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 Information

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise OHSU's basic financial statements. The supplemental information included in schedules 1 through 5 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audits 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

KPMG LLP

Portland, Oregon
October 28, 2022

Introduction

Oregon Health & Science University (OHSU or the University) is Oregon's only public academic health center and one of the only universities in the U.S. devoted exclusively to educating doctors, dentists, nurses, pharmacists and public health professionals. 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 cooperation 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, 2022 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, 2021 and June 30, 2020.

Financial Highlights

The cumulative financial impact from the global outbreak of the Coronavirus disease (COVID-19), an infectious disease caused by the SARS-CoV-2 virus, as well as general labor shortages, inflationary pressures and financial market changes that are affecting all healthcare organizations, are reflected in net position, the broadest measure of OHSU's financial strength. In fiscal year 2022, net position decreased by $150 million to $3.9 billion. This follows an increase of $493 million in fiscal year 2021, compared to a small decrease in net position of $14 million in fiscal year 2020. Thus between June 30, 2019 and June 30, 2022, three fiscal years that encompass the pandemic so far, OHSU's net position has increased by $329 million, from $3.6 billion as of June 30, 2019 to $3.9 billion as of June 30, 2022, largely due to cumulative federal relief for COVID-19 and strong investment returns last year.

OHSU measures its performance as a whole and for the University. When measuring operating results for the University, OHSU uses a single line "equity method" for the OHSU Foundation. The "equity method" follows the "Total University" column on the combining financial statements included at the end of these financial statements, with gifts recorded when transferred from the Foundation to the University for use and State appropriations included within operating revenues.

The receipt and then spending of large gifts, and accrued expenses for PERS pension have caused large swings in OHSU's revenues and expenses over the past several years. Management uses the analysis of adjusted operating income on the following table to track underlying performance on a consistent basis where expenses for pension benefits are recorded on a cash basis, rather than an accrual basis, as they were prior to adoption of GASB 68.

In fiscal year 2022, net pension liability and accrued pension expense, measured as OHSU's proportionate share of the collective Oregon's Public Employees Retirement System (PERS) system, decreased as the PERS system generated asset returns greater than the long-term assumption in 2021, and less than assumed in 2020, the prior fiscal year. The PERS results affect OHSU financial statements with a lag.

OHSU's adjusted operating loss is $90 million in fiscal year 2022, a decrease of $162 million from fiscal year 2021. While operating revenues remain strong, with 9% year-over-year growth, the impact of COVID variants continue to impact patient volumes, case mix acuity, service mix and revenue mix combined with an adverse effect to varying degrees on operating expenses, including the need to utilize higher-cost temporary labor, provide premium pay for essential workers, and continued increases in drug and medical supply costs.

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

Years Ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021		$ Change
Total operating revenues	$	3,986,725	3,663,818		322,907
Total operating expenses, net of pension accrual		4,076,446	3,591,408	(1)	485,038
Adjusted operating income (loss)		(89,721)	72,410		(162,131)
Cash basis pension expense		54,976	46,603		8,373
Accrual basis pension expense		(23,008)	(113,695)		90,687
Operating income (loss)		(57,753)	5,318		(63,071)
Investment income and gain(loss) in fair value of investments		(134,264)	439,848	(1)	(574,112)
State appropriations		41,240	44,243		(3,003)
CARES Act and ARP grants		33,514	72,593		(39,079)
FEMA public asssistance program		8,966	—		8,966
Other nonoperating, Foundation and eliminations/reclasses		(67,698)	(81,408)		13,710
Total net income (loss) before contributions for capital and other		(175,995)	480,594		(656,589)
Other changes in net position		25,698	12,132		13,566
Total increase (decrease) in net position	$	(150,297)	492,726		(643,023)

[1] GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

As both equity and fixed income markets declined in the last two quarters of fiscal year 2022 due to concerns over inflation, Federal Reserve tightening and the war in Ukraine, investment returns were a loss of $134 million, compared to very strong investment gains of $440 million in fiscal year 2021.

Federal and state support of $42 million in fiscal year 2022 and $73 million in fiscal year 2021 through the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), American Rescue Plan Act (ARP), Federal Emergency Management Agency (FEMA) Public Assistance program and other government programs continue to support OHSU in achieving its mission.

OHSU capitalized on historic low interest rates and its access to capital markets by issuing bonds with a par amount of $498 million at a premium of $78 million in fiscal year 2022 to support the OHSU Hospital Expansion Project (OHEP), purchase leased space, refund several bonds and pay for the cost of issuance. OHEP will increase hospital bed and related inpatient capacity to provide the highest level of care for all Oregonians.

Management continues to take a proactive approach to adjust to the ever-changing healthcare and economic environment implementing plans to address the significant financial challenges from COVID and inflationary pressures.

COVID-19 Funding

Significant federal and state COVID-19 financial and liquidity support was provided to OHSU in the form of grants and loans in fiscal years 2022, 2021 and 2020. The key programs included:

Medicare Advance Payment Program. In response to the COVID-19 public health emergency, the Centers for Medicare & Medicaid Services (CMS) expanded its Medicare Accelerated and Advance Payment Program to allow Medicare providers to receive advances on future Medicare reimbursement. OHSU received $145 million in federal Medicare advances in fiscal year 2020. Medicare began recovering advance payments by offsetting claims for services starting in April 2021 and recovered $93 in fiscal year 2022 and $15 million in fiscal year 2021. OHSU estimates the recoupment period will extend into fiscal year 2023 with the remaining $37 million recorded in the accompanying Statements of Net Position as Unearned/Medicare advance payment current liability.

CARES Act FICA Deferral. The CARES Act allows employers to defer the deposit and payment of the employer’s share of Social Security taxes. Under this program, OHSU deferred $62 million of applicable payroll taxes from the date the Act was signed into law. The deferred amounts are due in two equal installments on December 31, 2021 and December 31, 2022. OHSU repaid the first installment of $31 million in fiscal year 2021. The remaining $31 million due on December 31, 2022 is reflected on the Statements of Net Position as accrued salaries, wages and benefits current liability.

CARES Act Provider Relief Fund. Enacted in March 2020, the CARES Act Provider Relief Fund is intended to provide financial support to healthcare providers who diagnose, test, or care for individuals with possible or actual cases of COVID-19, and have health care related expenses and lost revenues attributable to COVID-19. OHSU received to date $133 million under the “General” and “Targeted” distributions. OHSU recognized as CARES Act grants under other nonoperating revenues $24 million and $73 million for fiscal years 2022 and 2021, respectively.

Higher Education Emergency Relief Fund (HEERF) Grants. OHSU was awarded funding from HEERF I, II and III grants for Postsecondary Education. Each grant has specific criteria defined as the use of funds and eligibility. The provided funding comes in the form of emergency financial aid grants for students (Student

Portion) and supplemental grant funds for institutional costs (Institutional Portion) to defray expenses associated with coronavirus. In fiscal year 2022, OHSU used the Institutional Portion to cover lost tuition and fees incurred in spring term 2020 and COVID-19 testing. OHSU recognized as CARES Act grants under other nonoperating revenues $1.4 million and $1.1 million for fiscal years 2022 and 2021, respectively.

American Rescue Plan Act (ARP). In fiscal year 2022, OHSU received $9 million from the ARP distribution to support OHSU's rural activities. OHSU recognized as CARES Act grants under other nonoperating revenues.

FEMA Public Assistance. The FEMA Public Assistance program provides Federal disaster grant assistance for Emergency Protective Measures activities that eliminate or lessen threats to lives, public health or safety. In partnership with the Oregon Office of Emergency management, OHSU applied for and received a $9 million grant from the Public Assistance (PA) program in fiscal year 2022 which is recognized under other nonoperating revenues.

Results of Operations

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

The programs and operations of the University and the Foundation are funded from a broad range of sources, some of which are classified as operating and others as nonoperating. While State appropriations and CARES Act, ARP and FEMA grants are reported as nonoperating revenues, the funding supports operating expenses and lost operating revenues.

Similarly, reporting of Foundation operating expenses, including transfers to the University, as well as fundraising, and other costs that are funded in part by endowment investment income are reported as nonoperating, but support operating activities. Also, investment income and gain (loss) in fair value of instruments, used to support operations, is reported as nonoperating while the PERS defined-benefit pension expense, reported as an operating activity under GASB 68, includes prior year PERS system wide plan investment returns.

When measuring OHSU as a whole, management believes that the Net income (loss) before contributions for capital and other, which includes both operating and nonoperating revenues, provides the most useful indicator of financial performance.

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

(Dollars in thousands)

		2022	2021	$ Change
Patient service revenue, net	$	2,845,352	2,595,048	250,304
Gifts, grants, and contracts		782,289	703,065	79,224
All other operating revenues		314,393	308,112	6,281
Total operating revenues		3,942,034	3,606,225	335,809
Salaries, wages, and benefits		2,455,284	2,166,014	289,270
Defined-benefit pension		23,008	113,695	(90,687)
All other operating expenses		1,589,138	1,406,739	182,399
Total operating expenses		4,067,430	3,686,448	380,982
Operating income (loss)		(125,396)	(80,223)	(45,173)
Other nonoperating revenues (expenses)		(134,319)	443,981	(578,300)
State appropriations		41,240	44,243	(3,003)
CARES Act, ARP and FEMA grants		42,480	72,593	(30,113)
Net income (loss) before contributions for capital and other		(175,995)	480,594	(656,589)
Other changes in net position		25,698	12,132	13,566
Total change in net position	$	(150,297)	492,726	(643,023)

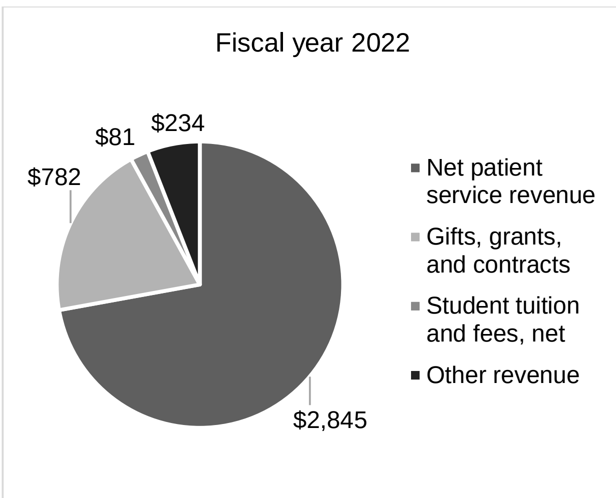
OHSU's fiscal year 2022 consolidated net loss was $176 million, before contributions for capital and other, a decrease of $657 million from the $481 million gain in fiscal year 2021. OHSU financial results were acutely impacted by Delta and Omicron surges, inflationary pressures, labor shortages, and negative investment returns. Mitigating some of the challenges were higher than expected research and education support from the State through the Medicaid IGT program and $42 million in federal economic relief funds (grants).

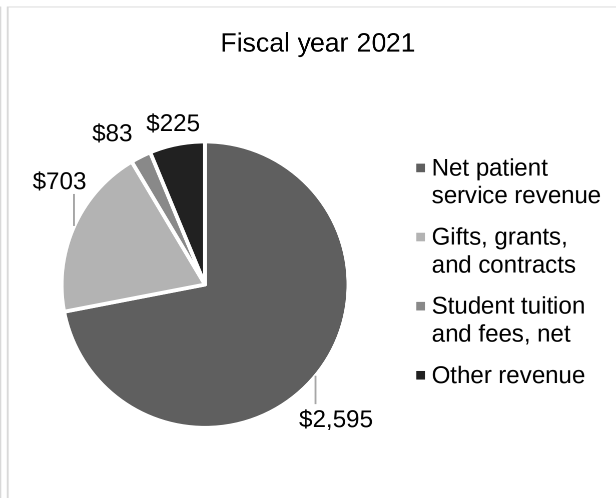
Revenues Supporting Core Activities

OHSU's operating revenues for fiscal year 2022 total $3.9 billion, an increase of 9.3% from fiscal year 2021 at $3.6 billion. The increase was driven by patient service revenue, grants, gifts and contracts and pharmaceutical services.

Operating Revenue by Source
Fiscal years 2022 and 2021

(Dollars in millions)





(Dollars in thousands)

Increases in patient service revenue reflected a 6.6% increase in patient activity when measured by case mix index and outpatient-adjusted admissions. All-payer case mix index remains strong at 2.48; however, the recent COVID surges have limited operating room services and bed capacity during fiscal year 2022 as shown in the table below.

Delta/Omicron Impact on Census and Surgical Cases

Month	Inpatient Census Actual	Inpatient Census Budget	Percent Difference (%)	Surgical Cases Actual	Surgical Cases Budget	Percent Difference (%)
Jul-21	14,324	14,194	1%	2,840	2,681	6%
Aug-21	14,125	14,400	-2%	2,742	2,809	-2%
Sep-21	13,723	13,998	-2%	2,207	2,681	-18%
Oct-21	14,035	14,707	-5%	2,500	2,945	-15%
Nov-21	13,856	13,949	-1%	2,701	2,945	-8%
Dec-21	14,138	14,217	-1%	2,745	3,085	-11%
Jan-22	14,318	14,670	-2%	2,449	2,790	-12%
Feb-22	13,269	13,322	0%	2,424	2,790	-13%
Mar-22	14,535	14,767	-2%	3,070	3,377	-9%
Apr-22	13,926	14,404	-3%	2,874	2,983	-4%
May-22	14,609	13,603	7%	2,821	2,983	-5%
Jun-22	14,330	14,503	-1%	2,900	3,125	-7%
	169,188	170,734	-1%	32,273	35,194	-8%

Grants, gifts, and contracts remained strong in fiscal year 2022 at $782 million, compared to $703 million in 2021. 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 two fiscal years, reflecting partnerships that extend OHSU programs across the region.

Gifts are recorded at the OHSU Foundation when pledged, and at the University when transferred from the Foundation 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 Foundation continue to provide critical funding to faculty, programs, and academic initiatives.

In fiscal year 2022, the OHSU Foundation received a $10 million gift to the OHSU Brenden-Colson Center for Pancreatic Care to support therapeutic advances, increase services for high-risk patients and fuel expansion in early cancer detection. In fiscal year 2021, the Bill and Melinda Gates Foundation provided two grants totaling $14.2 million to support HIV and TB vaccine using the CMV (Cytomegalovirus) platform.

		Fiscal year ending June 30		
		2022	**2021**	**2020**
			(Dollars in thousands)	
University grants and contracts, direct portion	$	576,415	534,952	492,818
University grants and contracts, indirect cost recovery		113,001	105,887	102,882
Foundation gifts, net of eliminations, transferred to the University		92,873	62,226	68,946
Total gifts, grants, and contracts	$	782,289	703,065	664,646

Student tuition and fees were $81 million and $83 million in fiscal year 2022 and 2021, respectively, down in fiscal year 2022 due to a slight decline in enrollment, as a result of limitations on clinical placement opportunities for students in the COVID-19 environment. Fiscal year 2022 marks the ninth 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.

Other revenue increased in fiscal year 2022 by $8 million, or 3.6%, from fiscal year 2021 in part from increases in outpatient pharmaceutical sales. OHSU provides drug treatment to patients through normal retail sales, as well as a specialty pharmacy where patients are able to obtain specialty drugs delivered to their homes for complex conditions such as autoimmune diseases and organ transplants.

Fiscal year 2022 investment income and fair value of investments is a loss of $134 million, reported in other nonoperating revenues (expenses), as the market responded to pressures of inflation, Federal Reserve tightening and the war in Ukraine. This compared to a gain of $440 million in fair value of investments in fiscal year 2021, largely reflecting the financial market response to the COVID-19 pandemic and unprecedented levels of federal fiscal and monetary support.

State appropriations, reported in other nonoperating revenues (expenses), totaled $41 million in fiscal year 2022 and $44 million in 2021. State appropriations support education in the Schools of Nursing, Dentistry and Medicine, as well as operations of the Child Development and Rehabilitation Center, the Office of Rural Health, and the Poison Center. In fiscal year 2021, state appropriations includes a $5 million match from the State of Oregon Employer Incentive Fund (EIF), a program introduced to match PERS pension employer side account deposits.

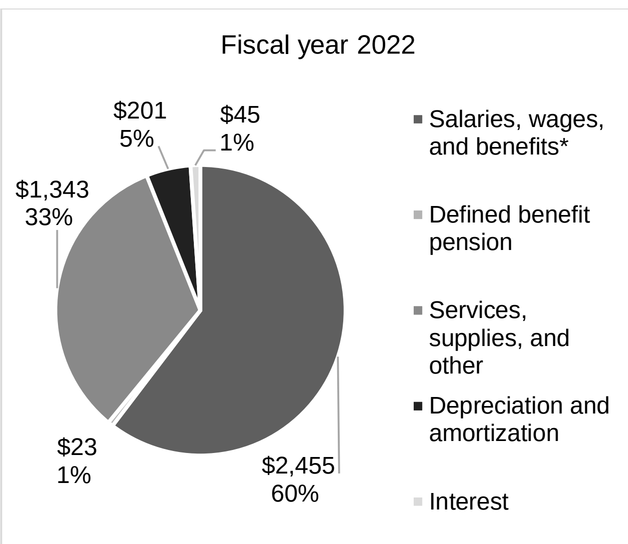
As noted previously, since the creation of the CARES Act Provider Relief in 2020 OHSU received $133 million under the “General” and “Targeted” distributions. OHSU recognized as CARES Act grants under other nonoperating revenues $34 million and $73 million for fiscal years 2022 and 2021, respectively, which also includes the institution portion of the HEERF grants for Postsecondary Education, and an additional $9 million of ARP is recognized as other under other nonoperating revenues.

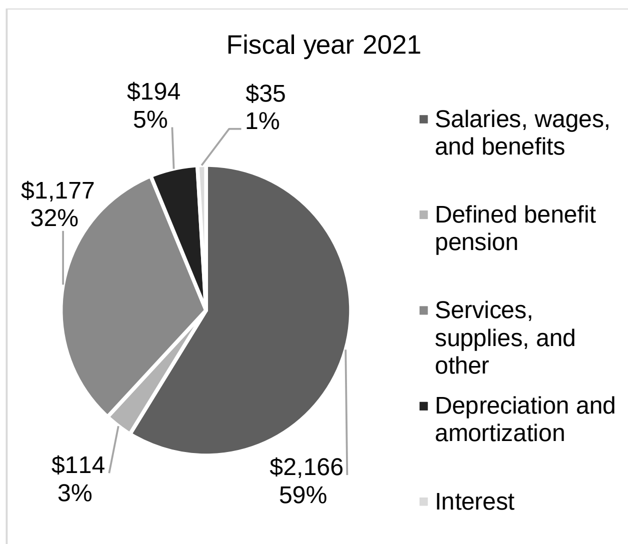
Expenses Associated with Core Activities

OHSU’s total operating expenses on a combined basis increased by $381 million, or 10.3%, in fiscal year 2022, to $4.1 billion, and $187 million, or 5.3%, in fiscal year 2021 at $3.7 million. In fiscal year 2022, expense growth is related to salaries, wages, and benefits, services, supplies and other, offset in part by PERS defined benefit pension expense.

Operating Expenses
Fiscal years 2022 and 2021

(Dollars in millions)





* Salaries, wages, and benefits figures include OHSU’s proportionate share of the Oregon PERS’s net pension liability of $23 million and $114 million expensed in fiscal years 2022 and 2021, respectively.

Salaries, wages, and benefits (excluding the impact of defined-benefit pension expense) comprised approximately 60.4% of total expenses, increasing by $290 million, or 13.4%, in 2022 and $124 million, or 6.1%, in 2021, respectively. In fiscal year 2022, expenses included various incentives and higher hospital contract labor costs.

In fiscal year 2022 the PERS defined-benefit pension expense decreased by $91 million, or 79.8%, from fiscal year 2021 due to cumulative 2021 and 2020 asset returns greater than assumed, generating actuarial investment gains. In contrast, fiscal year 2021, actuarial losses were reported, partially offset by provisions from Senate Bill 1049 that re-amortized the unfunded actuarial liability over 22 years and limited certain annual salary benefits to $195,000 (indexed) starting in fiscal year 2020.

Services, supplies, and other expenses increased $166 million or 14.1% in fiscal year 2022 and $43 million or 3.7% in fiscal year 2021, representing the non-labor costs associated with program growth, spending on pharmaceuticals and medical supplies, and general inflationary pressures impacting all healthcare environments.

Fiscal year 2022 and 2021 also included integrated clinical operations support/(benefit) for Adventist Health Portland at $7.7 million and $(4.2) million, respectively, an affiliate since January 2018, and Tuality (Hillsboro Medical Center) at $11 million and $0.7, 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 2022, depreciation and amortization increased by $6 million, or 3.2%, this compared to an increase of $18 million, or 10.1%, in 2021. Fiscal year 2022 saw the adoption of GASB Statement No. 87 (GASB87) and GASB Statement No. 96 (GASB96) which resulted in depreciation, formerly recognized as space, equipment, and software expense. A retroactive adjustment to the prior fiscal year was made and the increase to depreciation in fiscal years 2022 and 2021 was $20.8 million and $14.6 million, respectively. Absent the adjustment, fiscal year 2022 depreciation and amortization decreased by $0.2 million, this compared to an increase of $2 million in 2021. While fiscal year 2021 saw a minor increase due to the opening of the Elks Children’s Eye Clinic/Casey Eye Institute, fiscal year 2022 saw flat depreciation which, despite continued increase capital spending, reflects the ongoing impact of reduced capital and routine equipment as a result of COVID-19 and supply chain limitations limiting spending.

Interest expense increased by $10.1 million, or 28.9%, in fiscal year 2022. The increase in interest expense in 2022 is largely driven by the issuance of the Series 2021A, 2021B-1, 2021B-2, 2021C and 2022A Bonds. Bond proceeds were used to refund several bonds from the previous Series 2016A, 2019B-1, 2019B-2 and 2012A Bonds. In addition, the new bonds were sized to include $385 million for capital improvements for the University, including acquisition of an office building, which increased the long-term debt liability and interest expense. One-time cost of issuance incurred for the issuance of these new bonds was $3.8 million which has been recorded in the current fiscal year as interest expense.

Operating Expenses by Functional Classification

(Dollars in thousands)

		2022	2021	2020
Instruction, research, and public service	$	589,163	565,922	541,954
Clinical activity		2,710,980	2,333,445	2,251,293
Auxiliary activities		2,976	6,528	8,220
Internal service centers		15,420	15,746	16,049
Student services		26,325	18,260	16,772
Academic support		93,247	108,619	92,708
Institutional support		295,856	205,433	169,228
Operations, maintenance, and other		127,443	129,228	133,926
Direct foundation expenditures		37,377	41,695	34,183
Depreciation and amortization		200,611	194,480	176,700
Defined pension expense (benefit), net of contribution		(31,968)	67,092	58,521
Total operating expenses	$	4,067,430	3,686,448	3,499,554

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 two years by major category of assets, liabilities, deferred inflows and outflows, and net position.

Condensed Statements of Net Position

(Dollars in thousands)

		2022	2021
Assets:			
Current assets	$	1,227,145	1,396,574
Capital assets		2,181,208	2,133,897
Other noncurrent assets		3,222,712	2,894,624
Total assets		6,631,065	6,425,095
Deferred outflows		218,704	234,013
Total assets and deferred outflows	$	6,849,769	6,659,108
Liabilities:			
Current liabilities	$	621,758	651,597
Noncurrent liabilities		1,800,519	1,753,675
Total liabilities		2,422,277	2,405,272
Deferred inflows		479,721	155,768
Net position:			
Net investment in capital assets		1,205,762	1,239,604
Restricted, expendable		718,821	801,921
Restricted, nonexpendable		323,982	304,696
Unrestricted		1,699,206	1,751,847
Total net position		3,947,771	4,098,068
Total liabilities, deferred outflows, and net position – end of year	$	6,849,769	6,659,108

Assets

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

Cash and Investments. During fiscal year 2022, OHSU's unrestricted and restricted cash and investments slightly decreased from $3.1 billion to $3.0 billion attributable to operating and investment performance and Foundation activity, as well as partial repayment of Medicare advance payments and deferred FICA taxes, which were essentially short-term interest-free loans extended by the federal government as part of its pandemic response. Policies set by OHSU and the Foundations dictate how investments are allocated and what risk profiles are assumed. Working capital is primarily invested in short duration, liquid fixed-income assets. Long-term investment strategy, including the investment of endowment funds and the associated spending distribution policy at the OHSU Foundation, is equity oriented, aiming to maximize total return, promote diversification, preserve capital, and provide for cash flow needs of the University.

Consolidated Asset Allocation of
Unrestricted and Restricted Cash and Investments

(Dollars in thousands)

		2022	2021	2020
Unrestricted cash and investments:				
Cash and cash equivalents	$	268,173	433,534	427,991
Fixed income		780,465	942,161	855,547
Public Equity		447,096	366,662	191,761
Private Equity, Marketable Alt., and Other		523,927	524,907	389,588
Subtotal		2,019,661	2,267,264	1,864,887
Restricted cash and investments:				
Cash and cash equivalents		29,366	33,364	43,305
Fixed income		182,365	158,260	133,778
Public Equity		206,193	172,478	135,443
Private Equity, Marketable Alt., and Other		532,867	502,081	366,687
Subtotal		950,791	866,183	679,213
Totals	$	2,970,452	3,133,447	2,544,100

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 257 days in 2021 to 203 days in 2022, the effect of a (12.1)% decrease in unrestricted operating cash and investments compared to a 11.5% increase in net unrestricted operating expenses.

Days Unrestricted Cash and Investments on Hand

(Dollars in thousands)

		2022	2021	
OHSU without OHSU Foundation:				
Unrestricted cash and investments	$	1,347,851	1,616,669	
Less nonoperating cash and investments		(97,165)	(80,132)	
Operating cash and investments	$	1,250,686	1,536,537	
Unrestricted operating expenses:				
Total operating expenses	$	3,638,824	3,269,674	
Less depreciation and amortization		(199,450)	(193,460)	(1)
Net unrestricted operating expenses	$	3,439,374	3,076,214	
Daily expense	$	9,423	8,428	
Days cash on hand		133	182	
OHSU plus OHSU Foundation:				
Unrestricted cash and investments	$	2,019,661	2,267,264	
Less nonoperating cash and investments		(97,165)	(80,132)	
Operating cash and investments	$	1,922,496	2,187,132	
Unrestricted operating expenses:				
Total operating expenses	$	3,661,776	3,297,622	
Less depreciation and amortization		(200,611)	(194,480)	(1)
Net unrestricted operating expenses	$	3,461,165	3,103,142	
Daily expense	$	9,483	8,502	
Days cash on hand		203	257	

(1) GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

The following table presents the days unrestricted cash on hand for OHSU as of fiscal year ended June 30, 2022 and 2021, calculated with the removal of pension adjustments due to the adoption of GASB 68, and net of federal Medicare advance payments (MAP) and FICA loans.

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

(Dollars in thousands)

		2022	2021
OHSU plus OHSU Foundation:			
Operating cash and investments	$	1,922,496	2,187,132
Net unrestricted operating expenses	$	3,461,165	3,103,142
Pension adjustment GASB 68		31,968	(67,092)
Adjusted net unrestricted operating expenses	$	3,493,133	3,036,050
Daily expense	$	9,570	8,318
Days cash on hand (pre-GASB 68)		201	263
Days cash on hand (pre-GASB 68), net of MAP and FICA loans		194	240

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 $47 million and $30 million, respectively, during fiscal years 2022 and 2021. In 2022 and 2021, capital expenditures included completing construction of the Elks Children's Eye Clinic/Casey Eye Institute expansion, the design and start of construction of OHSU Hospital Expansion Project, and the purchase of the Beaverton Clinic along with annual capital for replacement, infrastructure, and new capacities. Additionally, OHSU adopted GASB87 and GASB96 which involve the capitalization of all Right of Use assets for space, equipment, and software subscriptions. Lease and subscription IT assets of $97 million and $78 million, respectively, during fiscal years 2022 and 2021, are now reported with capital assets.

Liabilities

Total liabilities increased by $17 million, or 0.7%, in fiscal year 2022 and $200 million, or 9.1%, in fiscal year 2021. In fiscal year 2022, significant liability changes included an increase of $47 million in noncurrent liabilities due to the issuance of long-term debt to support OHEP, partially offset by a reduction in pension liability, while current liabilities decreased $30 million as OHSU repaid the CARES Act Medicare Advance loan, offset by the reclassification of the CARES Act FICA deferral payment to a current liability as it is due in December 2022. In fiscal year 2021, the increases in current and noncurrent liabilities were primarily related to accounts payable and accrued expenses, accrued salaries, wages, and benefits, and PERS pension liability.

Current liabilities consist of the current portion of long-term debt, long-term leases, self-funded insurance, accounts payable and accrued expenses, salaries, wages, and benefits, and unearned revenue. In fiscal year 2022 and 2021, current liabilities also reflect the CARES Act Medicare Advance Payment of $37 million and $118 million, respectively, and OHSU's share of deferred Social Security payroll taxes of $31 million and $62 million within accrued salaries, wages and benefits, respectively.

Noncurrent liabilities increased $47 million or 2.7% in fiscal year 2022 due to an increase in long-term debt, less current portion, of $362 million, offset by a reduction in the pension liability of $289 million and reclassification of the FICA deferral of $31 million to current liability.

In fiscal year 2022, OHSU adopted GASB87 and GASB96 right of use lease standards resulting in a new liability of $88 million as of June 30, 2022. Of the $88 million, $23 million represents amounts due with one year. Changes adopted to conform to the provisions of these Statements are applied retroactively to fiscal year 2021. In fiscal year 2021, the restated total liability is $71 million, with $17 million reflecting amounts due within one year.

Debt Management. At the close of fiscal years 2022, OHSU had approximately $1,332 million in long-term debt and $88 million in long-term leases, for a total of $1,420 million outstanding. In the previous fiscal year 2021, OHSU had approximately $970 million in long-term debt and $71 million in long-term leases, for a total of $1,041 million outstanding. Of the total $1,420 million in long-term debt and long-term leases outstanding at the end of 2022, $1,374 million is considered noncurrent and $46 million is considered current and due within one year. OHSU continues to maintain its Standard & Poor's and Fitch ratings of AA- and Moody's rating of Aa3 for its rated bonds.

One measure of the degree of leverage on the University's statements of net position is the ratio of total long-term debt and leases to net position, shown below. Leverage, according to this metric, increased from 0.25 in 2021 to 0.36 in 2022. This metric increased as a result of OHSU issuing long-term debt for the refunding of previous debt and for capital improvements for the University, including acquisition of an office building.

		2022	2021
		(Dollars in millions)	
Total long-term debt and leases	$	1,420	1,041
Net position		3,948	4,098
Total long-term debt and leases to net position	$	0.36	0.25

Annual Debt Service Coverage. The annual debt service coverage ratio for an entity represents the amount of cash flow available to meet the annual principal and interest payment on debt. Per bond covenants, OHSU's credit group must maintain an annual debt service coverage ratio of 1.10 times or greater in accordance with most of its bonds, and must maintain an annual debt service coverage ratio of not less than 1.25 to 1.0 for certain direct placement bonds. The University continues to exceed these minimum requirements with ratios of 3.81 in fiscal year 2022, and 5.24 in fiscal year 2021.

Calculation of Annual Debt Service Coverage Ratio – Unrestricted

(Dollars in thousands)

		2022	2021	
Total excess of revenues over expenses, before contributions for capital and other	$	(175,995)	480,594	
Add/subtract restricted net loss/gain		61,061	(132,947)	
Unrestricted excess of revenues over expenses	$	(114,934)	347,647	
Adjustments:				
Depreciation and amortization	$	200,611	194,480	(1)
Interest expense		45,251	35,108	(1)
Net unrealized (gain) loss in fair value of investments		209,722	(129,506)	
Loss on disposal of assets		1,972	193	
	$	457,556	100,275	
Income available for debt service	$	342,622	447,922	
Annual debt service [2]	$	90,005	85,434	(1)
Annual debt service coverage		3.81	5.24	
Annual debt service (pre-GASB 87 and 96) [3]	$	63,140	61,838	
Annual debt service (pre-GASB 87 and 96) coverage		5.43	7.24	

(1) GASB Statement No. 87 and No. 96 establish a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements are applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 lease expense previously reported as rent under services, supplies, and other have been restated as right of use asset depreciation under depreciation and amortization, and interest expense under interest.

(2) "Annual debt service" is the aggregate amount of principal and interest payments on long-term debt and long-term leases during the fiscal year. Prior to the adoption of GASB Statement No. 87 and No. 96, only payments made on capital leases were reflected in annual debt service.

(3) "Annual debt service (pre-GASB 87 and 96)" is the aggregate amount of principal and interest payments on long-term debt, excluding long-term leases, during the fiscal year.

The following table presents the annual debt service coverage ratio for fiscal year 2022 and 2021, calculated with the removal of pension adjustments due to the adoption of GASB 68.

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

(Dollars in thousands)

		2022	2021
Income available for debt service	$	342,622	447,922
Pension adjustment GASB 68		(31,968)	67,092
Adjusted income available for debt service	$	310,654	515,014
Annual debt service	$	90,005	85,434
Annual debt service coverage (pre-GASB 68)		3.45	6.03
Annual debt service (pre-GASB 87 and 96)	$	63,140	61,838
Annual debt service coverage (pre-GASB 68, GASB 87, and GASB 96)		4.92	8.33

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.

Deferred outflow of resources on the statements of net position represent the consumption of net assets attributable to a future period and are primarily associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits and debt and derivative activity.

In fiscal year 2022, deferred outflows are $219 million, a decrease of $15 million due to PERS defined pension obligation primarily representing assumption changes. Contributions made post measurement date are also reflected in deferred outflows. In fiscal year 2022, OHSU's contributions were $64 million, which included an additional $10 million in excess contribution above the contractually required $54 million. In fiscal year 2021, OHSU's contributions were $58 million, which included an additional $10 million in excess contribution above the contractually required $48 million.

Also within the deferred outflows is the deferred amortization of derivative instruments. OHSU currently holds one interest rate swap agreement. The balance of the deferred outflow for amortization of derivative instruments was $4.8 million in 2022 and $6.1 million in 2021.

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 or the mandatory tender date, when applicable. Absent any refunding activity, these numbers will slowly decline. OHSU has both deferred gains and losses. The deferred loss on refunding of debt of $29.8 million in 2022 and $27.8 million in 2021 is reported in the deferred outflows section below assets. The deferred loss on refunding of debt increase from prior year due to the refunding of several Series 2021B-1 and Series 2021B-2 Bonds.

Deferred inflow of resources on the statements of net position represent the acquisition of net assets attributable to a future period and are associated with OHSU's obligations for the PERS defined pension plan, other postemployment benefits, pending funds and life income agreements.

In fiscal year 2022, deferred inflows are $480 million, an increase of $324 million, due to PERS defined pension obligation and pending funds. Deferred inflows related to pension activities for fiscal years 2022 and 2021 were $278 million and $46 million, respectively, representing differences between projected and actual earnings on investments and changes in OHSU's proportionate share. In fiscal year 2022, the pending funds are reported as $160 million, an increase of $94 million, compared to $65 million in fiscal year 2021. Finally, the deferred gain on refunding of debt of $1.1 million in 2022 and $1.3 million in 2021 is reported in the deferred inflows section below liabilities.

Net Position

As noted earlier, total net position decreased $150 million, in fiscal year 2022, as compared to an increase of $493 million in fiscal year 2021. In fiscal year 2022, the decrease in net position occurred within net investments in capital assets, restricted and unrestricted. Unrestricted net position, which is 43% of OHSU's total net position, decreased by $53 million in 2022 as compared to an increase of $380 million in 2021 which was primarily due to the losses associated with the COVID-19 pandemic. Restricted net position, which is 26.4% of OHSU's total net position, decreased by $64 million in 2022 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

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

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

1. Building a diverse, equitable environment where all can thrive and excel.
2. Being the destination for transformational learning.

3. Enhancing health and healthcare in every community.
4. Discovering and innovating to advance science and optimize health worldwide.
5. Partnering with communities for a better world.
6. Ensuring a sustainable foundational infrastructure.

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

OHSU 2025 reflects not only the breadth and complexity of the state's only academic health center but also the challenges in health and science that OHSU must address. The plan was developed from the ground up with more than 5,000 OHSU members contributing, providing input on OHSU's future picture, shaping the plan's goals, and developing detail around its objectives and tactics.

In March 2020, OHSU 2025 was put on pause while OHSU responded to the pandemic. In 2021, the 2025 plan underwent review and revision resulting in the reallocation of funding and reprioritization of projects. Some objectives were streamlined or combined while several new areas of focus were added, changes that reflect both the pandemic's ongoing impact on the organization and its people and the commissioning of and response to the Covington Report.

The following sections highlight achievements for each of the 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 2021 term, OHSU had 2,984 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

	2021/2022	2020/2021	2019/2020
School of Dentistry:			
Graduate	$ 28	27	26
Professional	288	291	297
Subtotal	316	318	323
School of Medicine:			
Undergraduate	18	17	17
Graduate	706	753	780
Professional	597	617	630
Subtotal	1,321	1,387	1,427
School of Nursing:			
Undergraduate	765	792	759
Graduate	59	87	177
Professional	227	189	100
Subtotal	1,051	1,068	1,036
School of Public Health:			
Graduate	296	262	231
Total	$ 2,984	3,035	3,017

(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 many fields of research, including neuroscience; cancer research; hearing; microbiology; ophthalmology; infectious disease and immunology; reproductive biology; atomic, molecular, cellular, and tissue imaging; and evidence-based medicine. OHSU research projects received 72% of the grants made by the National Institutes of Health (NIH) in the state of Oregon, with the next largest recipient receiving 11%. In FY2022, OHSU was ranked 30th out of the 2,242 entities that received funding from the NIH.

Faculty members include five members of the National Academy of Sciences and ten members of the National Academy of Medicine. Researchers at OHSU have developed many of the leading advances in medicine, including the first artificial heart valve, pioneering use of optical coherence tomography, the first percutaneous angioplasty procedure, and the first molecularly targeted cancer therapy (Gleevec®).

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

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

Although the COVID-19 pandemic disrupted science at OHSU, the institution continued to thrive in many areas and accomplished many extraordinary things. Despite the many challenges, OHSU had another strong year; receiving nearly $554.5 million in externally sponsored awards for fiscal year 2022.

OHSU researchers made significant advances and discoveries that could have lasting impacts on the health and well-being of people across the globe. Here are a few highlights from the last fiscal year.

In January 2022, the W. M. Keck Foundation awarded $1 million over three years to develop a one-of-a-kind imaging and computational system. Their system will seek to decode molecular aggregates — collections of proteins or ribonucleic acid that frequently rearrange inside cells and are involved in cellular information processing. Researchers will use the W. M. Keck Foundation grant to develop a new type of microscope that can accurately measure the individual proteins and molecules as they assemble into groups inside a cell. Their system will also use deep learning to evaluate the resulting images and precisely track the biomolecular steps that proteins take to form aggregates and pinpoint how those steps are tied to specific cellular functions and disease.

OHSU researchers were 'instrumental' in studying newly FDA-approved treatment for a form of prostate cancer. OHSU's researchers led the VISION trial at OHSU, and co-authored the VISION study presentation at the American Society of Clinical Oncology Annual Meeting in June 2021, as well as the resulting *The New*

(Dollars in thousands)

England Journal of Medicine publication. The study, sponsored by Endocyte, Inc., a Novartis company, tested the targeted radioligand therapy in participants with advanced prostate cancer. All subjects had cancers that had spread to other organs and continued to progress after previous treatment with two kinds of drugs, androgen axis inhibitors and taxanes. The experimental treatment significantly extended survival, delayed progression and was generally tolerated by study subjects.

OHSU researchers found that children with ADHD and emotional dysregulation who were given a micronutrient-dense formula made of all known vitamins and essential minerals were three times more likely to have better concentration and improved moods. The findings, featured on the May cover of the *Journal of the American Academy of Child and Adolescent Psychiatry*, may provide another treatment option for clinicians and families. In the study, 54% of the children who were given supplemental vitamins and minerals showed improvement in their symptoms, versus 18% in the placebo group. Future studies will seek to understand how and why micronutrients improve attention and mood, examining changes in gut microbiome and other indicators.

OHSU Healthcare

OHSU is home to Oregon's only major academic health center, which serves a multistate area with tertiary and quaternary healthcare services from its campus in Portland, Oregon, where it operates two hospitals, OHSU Hospital and OHSU Doernbecher Children's Hospital (OHSU Hospital or the Hospital), with 576 licensed beds. During 2022, the OHSU Hospital represented 8.1% of the available beds and 10.4% of the filled beds for the entire State. The OHSU Hospital had an 82% occupancy rate for available beds in 2022, compared to the Oregon statewide average of 64% 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, 2022, there were over 1,740 active faculty practice plan members, including physicians, nurse practitioners, physician assistants, and other licensed independent practitioners from across all medical specialties.

	Fiscal year ending June 30			Variance	
OHSU Patient Activity	**2022**	**2021**	**2020**	**2022 v 2021**	**2021 v 2020**
Inpatient admissions	26,327	25,612	27,055	2.8 %	(5.3)%
Average length of stay	6.76	6.66	6.32	1.5	5.4
Average daily census	464	448	453	3.6	(1.1)
Day/observation patients	41,595	41,327	38,643	0.6 %	6.9 %
Emergency visits	50,268	41,997	44,965	19.7	(6.6)
Ambulatory visits	1,102,857	1,103,642	978,492	(0.1)	12.8
Surgical cases	32,273	33,124	32,672	(2.6)	1.4
Casemix index	2.48	2.49	2.43	(0.4)%	2.5 %
Outpatient share of activity	57.2 %	55.4 %	53.6 %	3.2	3.4
CMI/OP adjusted admissions	152,389	142,945	141,644	6.6	0.9

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

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

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

Columbia Memorial Hospital. OHSU and Columbia Memorial Hospital (CMH) in Astoria, Oregon, have collaborated on programs, including cardiology and cancer, offering chemotherapy, imaging, pharmacy, and other services for individuals on the North Oregon Coast. OHSU and CMH jointly organize and operate an Oncology Collaboration, including a 19,600-square-foot comprehensive cancer treatment center and specialty clinic, with radiation therapy. CMH owns and operates the cancer treatment center, opened in October 2017, under its license while OHSU has provided the professional services and medical direction through OHSU-employed physicians.

OHSU Foundation

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

The Foundation is an Oregon nonprofit corporation promoting the charitable, scientific, and educational purposes of OHSU. The Foundation is a component unit of OHSU for financial reporting purposes, but is not part of the OHSU Obligated Group established pursuant to the Master Indenture, which currently consists solely of OHSU. The Foundation has a self-perpetuating board trustees, on which the OHSU president sits as an ex officio voting member. OHSU Foundation is tax-exempt under Section 501(c)(3) of the Internal Revenue Code.

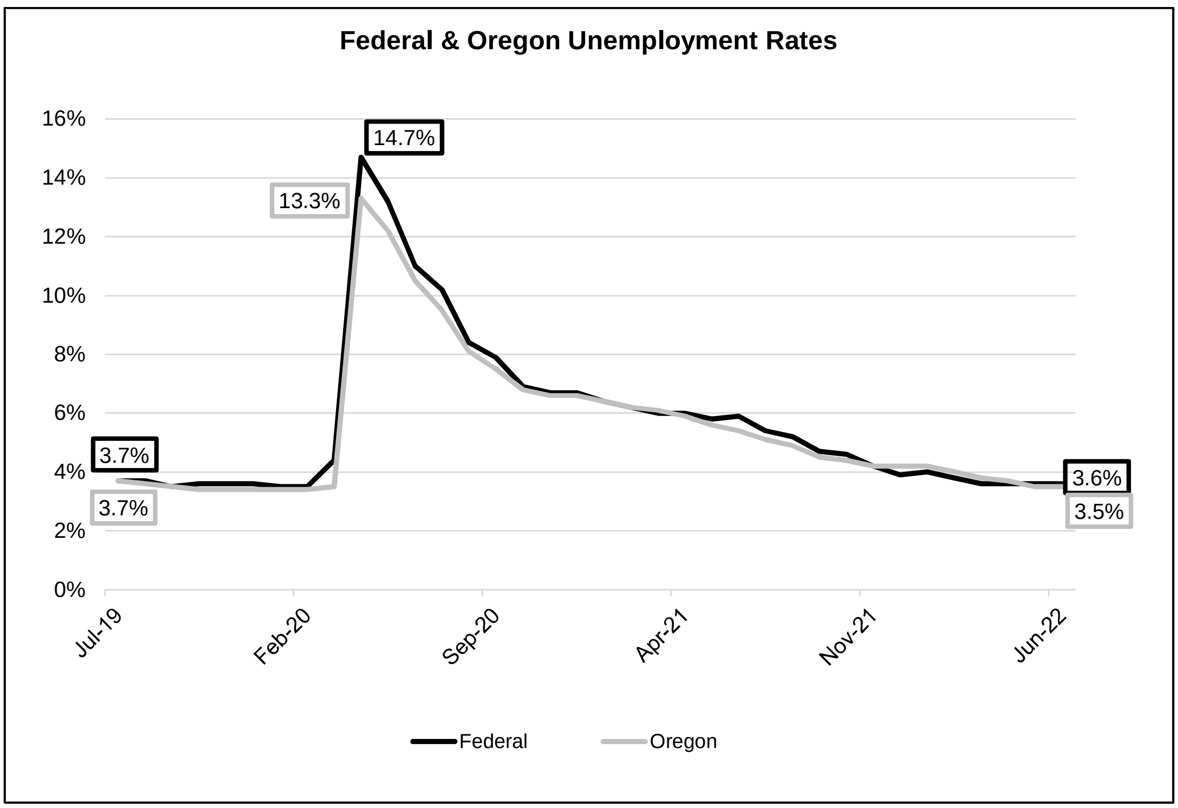
(Dollars in thousands)

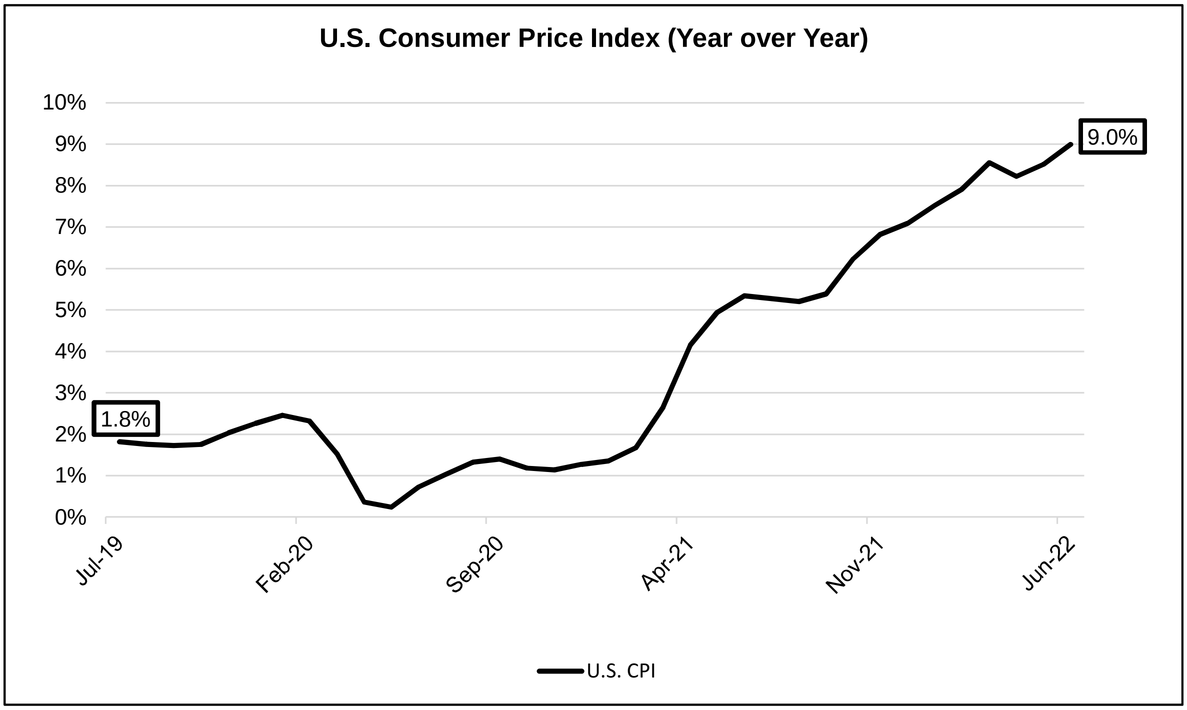
As OHSU's designated foundation, all development activities conducted by the Foundation must be coordinated with OHSU. In accepting gifts, the Foundation must obtain OHSU approval for all endowments and any gifts that result in new programs. In addition, if the Foundation was dissolved or if the OHSU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

Amount	OHSU major gifts description	Fiscal year
$10.3 million	Center for Pancreatic Health gift	2021-22
$14.2 million	HIV and TB vaccine using CMV platform grant	2020–21
$10 million	OHSU-UO Center for Biomedical Data Science gift	2019–20
$25 million	OHSU and Doernbecher Children's Hospital gift	2017–18
$14.7 million	SMMART Trials grant	2017–18
$15 million	Center for Pancreatic Health gift	2016–17
$15 million	Casey Eye Institute gift	2015–16
$12 million	Gary and Christine Rood Family Pavilion gift	2015–16
$500 million	Knight Cancer Institute gift	2014–15
$100 million	Knight Cancer Institute gift	2014–15
$38.8 million	Vaccine and Gene Therapy Institute, Oregon National Primate Research Center, and Behavioral Neuroscience grant	2014–15
$28.9 million	Knight Cancer Institute and OHSU Parkinson Center gift	2013–14
$25 million	Center for Pancreatic Health gift	2013–14
$10 million	Knight Cancer Institute gift	2013–14
$125 million	Gift to create a Cardiovascular Institute at OHSU	2012–13
$25 million	Bob and Charlee Moore Institute for Nutrition gift	2011–12
$10 million	New School of Dentistry gift	2010–11
$100 million	Knight Cancer Institute gift	2008–09

Economic Outlook

Fiscal year 2022 saw continued capital market and economic volatility driven by geopolitics, inflationary pressures, global central bank actions and increasing concerns over recession throughout the year. Due to the aforementioned shocks, the U.S. economy exhibited more subdued activity with a year over year real gross domestic product (GDP) growth rate of 1.7% according to the U.S. Bureau of Economic Analysis. Employment however remained robust both at the federal and state level as unemployment rates continued to decline and reach pre-COVID-19 levels as shown in the chart below:





In financial markets, both equity and fixed income markets were greatly impacted by increasing interest rates in response to persistent inflationary pressures that continued into fiscal year-end. For the FY22, global equities declined -15.8% while global fixed income decline -16.8%. Performance was only slightly better in the U.S with U.S. Equities declining -10.6% and U.S. Fixed Income declining -10.3%. During the beginning of FY23, market participants continue to be concerned by both the pace of potential central bank interest rate tightening, as well as concerns over the health of the global economy and corporate profitability moving forward.

The healthcare regulatory environment continues to exhibit substantial policy uncertainty as federal and state agencies and regulators continue to attempt to mitigate COVID-19 impacts (both short and long term). The Inflation Reduction Act, passed and signed into law in August 2022, extended premium subsidies in the Affordable Care Act (ACA) marketplaces, lowered prescription drug prices and out of pocket costs for Medicare beneficiaries. Given the upcoming federal elections in November, any additional changes will likely occur through rulemaking and executive order by federal and state agencies. Additionally, it’s expected that the Federal Trade Commission and Antitrust Division within the U.S. Department of Justice will continue to critically evaluate proposed vertical and horizontal integration between providers and payers to maintain and promote a competitive healthcare environment.

Results over the past several fiscal years show that OHSU's financial position continues to improve in spite of COVID-19 and the difficult operating environment, with net position increasing 26% from $3.1 billion at July 1, 2017 to $3.9 billion for the 5 year period ending June 30, 2022. OHSU's financial strength is further recognized by its current credit ratings of Aa3 / AA- / AA- by Moody's, S&P and Fitch respectively. Although certain specific investments in the OHSU 2025 strategic plan have been paused in light of the difficult operating environment, the University continues to be guided by its "people first" approach to deliver breakthroughs for better health and acting as one University even though different missions and units are impacted to different extents and at different times. The University's financial planning and budget process continues to take a proactive planning approach to the evolving healthcare and economic environment, diligently monitoring and making operational adjustments as is necessary. In spite of these challenges, OHSU will continue to focus on continued investment and support of its people and continuing to build for the future.

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

Statements of Net Position

As of June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Assets:			
Current assets:			
Cash and cash equivalents	$	262,472	435,574
Short-term investments		22,574	104,421
Current portion of funds held by trustee		42,305	36,759
Patients accounts receivable, net of bad debt allowances of of $1,372 and $2,518 – in 2022 and 2021, respectively		504,558	459,884
Student receivables		24,351	27,025
Grant and contract receivable		81,631	62,900
Current portion of pledges and estates receivable		121,490	121,502
Other receivables, net		69,009	56,437
Inventories, at cost		64,279	58,290
Prepaid expenses		34,476	33,782
Total current assets		1,227,145	1,396,574
Noncurrent assets:			
Capital assets, net of accumulated depreciation		2,181,208	2,133,897
Funds held by trustee – less current portion		303,469	10,182
Other long-term receivables, net of reserves		33,500	33,500
Long-term investments:			
Long-term investments, restricted		941,206	846,679
Long-term investments, unrestricted		1,744,200	1,746,773
Total long-term investments		2,685,406	2,593,452
Prepaid financing costs, net		1,268	1,484
Pledges and estates receivable, net – less current portion		174,981	248,218
Restricted postemployment benefit asset		10,070	4,328
Other noncurrent assets		14,018	3,460
Interest in the Foundations		—	—
Total noncurrent assets		5,403,920	5,028,521
Total assets		6,631,065	6,425,095
Deferred outflows:			
Deferred amortization of derivative instruments		4,843	6,091
Loss on refunding of debt		29,835	27,794
Pension obligation		174,512	189,745
Goodwill		261	348
Other Postemployment Benefits (OPEB) obligation		9,253	10,035
Total deferred outflows		218,704	234,013
Total assets and deferred outflows	$	6,849,769	6,659,108

OREGON HEALTH & SCIENCE UNIVERSITY

(A Component Unit of the State of Oregon)

Statements of Net Position

As of June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Liabilities:			
Current liabilities:			
Current portion of long-term debt	$	23,735	24,082
Current portion of long-term leases		22,580	16,699
Current portion of self-funded insurance programs liability		47,549	40,868
Accounts payable and accrued expenses		187,841	171,755
Accrued salaries, wages, and benefits		127,391	119,248
Compensated absences payable		78,135	76,432
Unearned revenue		92,929	81,831
Unearned/Medicare Advance Payment		37,246	118,420
Other current liabilities		4,352	2,262
Total current liabilities		621,758	651,597
Noncurrent liabilities:			
Long-term debt – less current portion		1,308,089	945,876
Long-term leases – less current portion		65,467	54,224
Liability for self-funded insurance programs – less current portion		55,848	46,639
Liability for life income agreements		20,111	23,492
Pension liability		305,955	595,311
Other noncurrent liabilities		45,049	88,133
Total noncurrent liabilities		1,800,519	1,753,675
Total liabilities		2,422,277	2,405,272
Deferred inflows:			
Deferred lease revenue		1,538	2,202
Gain on refunding of debt		1,056	1,291
Life income agreements		32,759	39,087
Pending funds		159,604	65,455
Pension obligation		278,368	46,214
Other Postemployment Benefits (OPEB) amounts		6,396	1,519
Total deferred inflows		479,721	155,768
Net position:			
Investments in capital assets		1,205,762	1,239,604
Restricted, expendable		718,821	801,921
Restricted, nonexpendable		323,982	304,696
Unrestricted		1,699,206	1,751,847
Total net position		3,947,771	4,098,068
Total liabilities, deferred inflows, and net position	$	6,849,769	6,659,108

See accompanying notes to financial statements.

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

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Operating revenues:			
Patient service revenue, net of bad debt adjustments of $7,963 and $6,310 – in 2022 and 2021, respectively	$	2,845,352	2,595,048
Student tuition and fees, net		80,886	82,770
Gifts, grants, and contracts		782,289	703,065
Other		233,507	225,342
Total operating revenues		3,942,034	3,606,225
Operating expenses:			
Salaries, wages, and benefits		2,455,284	2,166,014
Defined benefit pension		23,008	113,695
Services, supplies, and other		1,343,276	1,177,151
Depreciation and amortization		200,611	194,480
Interest		45,251	35,108
Total operating expenses		4,067,430	3,686,448
Operating (loss)		(125,396)	(80,223)
Nonoperating revenues, incl. state appropriations:			
Investment income and (loss) gain in fair value of investments		(134,264)	439,848
State appropriations		41,240	44,243
COVID-19 relief grants		33,514	72,593
Other		8,911	4,133
Total nonoperating revenues (expenses), net		(50,599)	560,817
Net income/(loss) before contributions for capital and other		(175,995)	480,594
Other changes in net position:			
Contributions for capital and other		4,877	783
Nonexpendable donations		20,821	11,349
Total other changes in net position		25,698	12,132
Total increase (decrease) in net position		(150,297)	492,726
Net position – beginning of year		4,098,068	3,605,342
Net position – end of year	$	3,947,771	4,098,068

See accompanying notes to financial statements.

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

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Cash flows from operating activities:			
Receipts for patient services	$	2,802,768	2,523,904
Receipts from students		83,560	84,389
Receipts of gifts, grants, and contracts		888,034	780,530
Other receipts		123,537	193,295
Payments to employees for services		(2,494,525)	(2,193,410)
Payments to suppliers		(1,333,873)	(1,177,017)
Net cash provided by operating activities		69,501	211,691
Cash flows from noncapital financing activities:			
Federal direct loan proceeds		64,618	75,344
Federal direct loan disbursements		(64,576)	(75,724)
State appropriations		41,240	44,243
CARES Act grants		33,514	72,593
Nonexpendable donations and life income agreements		25,857	(2,627)
Net cash provided by noncapital financing activities		100,653	113,829
Cash flows from capital and related financing activities:			
Scheduled principal payments on long-term debt		(36,277)	(27,829)
Interest payments on long-term debt		(64,893)	(51,179)
Proceeds from issuance of long-term debt		577,619	928
Repayment on debt		(181,415)	(7)
Acquisition of capital assets		(208,586)	(131,368)
Proceeds from sale of capital assets		—	(193)
Contributions for capital and other		4,877	783
Net cash used in capital and related financing activities		91,325	(208,865)
Cash flows from investing activities:			
Purchases of investments		(2,396,239)	(1,215,753)
Proceeds from sales and maturities of investments		1,946,039	1,079,180
Interest on investments and cash balances		15,619	32,750
Net cash provided by investing activities		(434,581)	(103,823)
Net increase in cash and cash equivalents		(173,102)	12,832
Cash and cash equivalents, beginning of year		435,574	422,742
Cash and cash equivalents, end of year	$	262,472	435,574

(Continued)

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

Statements of Cash Flows

Years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating (loss)	$	(125,396)	(80,223)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation and amortization		200,611	194,480
Provision for bad debts		7,963	6,310
Interest expense reported as operating expense		45,251	35,108
Noncash contribution		(5,398)	(10,169)
Defined-benefit pension		(41,969)	52,092
Net changes in assets and liabilities:			
Patient accounts receivable		(52,637)	(75,268)
Student receivables		2,674	1,619
Grant and contracts receivable		(18,773)	(550)
Pledges and estates receivable		73,249	22,747
Other receivables, assets, and deferred outflows		(28,796)	(4,492)
Inventories		(5,989)	(9,067)
Prepaid expenses		(694)	(8,002)
Accounts payable and accrued expenses		16,086	17,203
Accrued salaries, wages, and benefits		8,143	13,060
Compensated absences payable		1,703	7,436
Due to contractual agencies		2,090	(2,186)
Other current liabilities		—	—
Liability for life income agreements		(3,381)	2,751
Unearned revenue		11,098	7,288
Medicare Advance Payment		(81,174)	(27,555)
Liability for self-funded insurance programs		15,890	13,711
Other noncurrent liabilities and deferred inflows		48,950	55,398
Net cash provided by operating activities	$	69,501	211,691
Supplemental schedule of noncash capital and related financing and investing activities:			
Unrealized change in fair value of investments	$	(192,291)	38,537
Loss on disposal capital assets		(1,972)	(193)
Obligations acquired under lease agreements		41,308	12,198
Acquisition of right of use assets		38,686	18,305

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022 and 2021

(Dollars in thousands)

Assets		2022	2021
Current assets:			
Common stocks: Mutual funds	$	10,324	—
Cash and cash equivalents		62,023	38,819
Short-term investments		6,061	3,734
Patient accounts receivable, net		40,488	38,936
Other receivables		7,875	18,158
Supplies inventory		4,873	4,903
Prepaid expenses and other		2,129	2,442
Estimated receivables for Medicare and Medicaid settlements		454	—
Current portion of assets whose use is limited		1,033	1,010
Total current assets		135,260	108,002
Assets whose use is limited:			
Board-designated funds		33,041	41,246
Under bond indenture agreement – held by Trustee		1,909	1
Donor-restricted – specific purpose		6,096	6,888
Donor-restricted – endowment		2,855	2,761
Required for current liabilities		(1,033)	(1,010)
Total assets whose use is limited		42,868	49,886
Property and equipment:			
Property and equipment, net of accumulated depreciation and amortization		62,212	62,752
Other assets		7,414	8,051
Total assets	$	247,754	228,691

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022 and 2021

(Dollars in thousands)

Liabilities and Net Assets		2022	2021
Current liabilities:			
Accounts payable	$	58,795	44,532
Accrued payroll and employee benefits		14,772	13,476
Due to related party		26,139	2,316
Deferred revenue		2,672	13,107
Estimated liabilities for Medicare and Medicaid settlements		—	423
Long-term debt due within one year		1,090	1,052
Accrued bond interest payable		78	86
Total current liabilities		103,546	74,992
Long-term liabilities:			
Long-term debt, net of amount due within one year		9,959	11,034
Liability for pension benefits		29,680	42,224
Other long-term liabilities		23,872	26,093
Total long-term liabilities		63,511	79,351
Total liabilities		167,057	154,343
Net assets:			
Net assets without donor restrictions		71,616	64,594
Net assets with donor restrictions		9,081	9,754
Total net assets		80,697	74,348
Total liabilities and net assets	$	247,754	228,691

See accompanying notes to financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

For the years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Net patient service revenue:			
Patient service revenue (net of contractual allowances and discounts)	$	261,998	226,775
Provision for bad debts		—	—
Total net patient service revenue		261,998	226,775
Other revenue			
OHSU support		11,051	746
Other revenue		220,721	202,931
Total other revenue		231,772	203,677
Total revenue		493,770	430,452
Operating expenses:			
Salaries and wages		100,417	91,704
Employee benefits		24,196	23,271
Supplies and other expenses		317,277	262,590
Professional fees		43,131	31,947
Depreciation and amortization		7,456	8,291
Interest		707	718
Total operating expenses		493,184	418,521
Income (loss) from operations		586	11,931
Other non-operating income:			
Realized income on investments whose use is limited by board designation		256	222
Gain on investments in affiliated companies		610	2,303
Gain/(loss) on disposal of property and equipment		(72)	18
Change in net unrealized gains (losses) on investments		(6,624)	6,133
Other operating revenue		300	(600)
Total other income		(5,530)	8,076
Excess of revenue over expenses		(4,944)	20,007
Contributions for property and equipment acquisition		25	506
Pension-related changes		11,436	20,815
Increase (decrease) in net assets without donor restrictions	$	6,517	41,328

See accompanying notes to consolidated financial statements

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Changes in Net Assets

For the years ended June 30, 2022 and 2021

(Dollars in thousands)

		2022	2021
Net assets without donor restrictions:			
Excess of revenue over expenses	$	(4,944)	20,007
Contributions for property and equipment acquisition		25	506
Pension-related changes		11,436	20,815
Increase (decrease) in net assets without donor restrictions		6,517	41,328
Net assets with donor restrictions:			
Gifts, grants, and bequests		1,781	2,233
Investment (loss) income		(1,068)	1,793
Net assets released from restrictions		(1,386)	(1,539)
Contributions for endowment funds		—	2
Increase (decrease) in net assets with donor restrictions		(673)	2,489
Change in net assets		5,844	43,817
Net assets, beginning of year		74,853	30,531
Net assets, end of year	$	80,697	74,348

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 heart research program. In addition, OHSU operates a captive insurance company domiciled in Arizona for self-insurance purposes, OHSU Insurance Company (INSCO), which is blended in the accompanying financial statements.

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

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

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

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

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

(b) Accounting Standards

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

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

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

(c) Recently Adopted Accounting Pronouncements

During the year end June 30, 2022, OHSU adopted the following standards:

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 adopted GASB 87 in 2022 which included the recording of right of use assets and lease liabilities on the statements of net position as of June 30, 2022 and 2021. The impact of the adoption is further described in note (13)(g).

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 implemented GASB 89 in 2022 and the impact was not material to the University.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*, which will be effective for the fiscal year ending June 30, 2023. This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). This Statement defines an SBITA, establishes that an SBITA results in a right-to-use subscription asset (an intangible asset) and a corresponding subscription liability, provides the capitalization criteria for outlays other than subscription payments (including implementation costs of an SBITA), and requires note disclosures regarding an SBITA. The University adopted GASB 96 in 2022 which included the recording of intangible assets and corresponding subscription liabilities on the statements of net position as of June 30, 2022 and 2021. The impact of the adoption is further described in note (13)(g).

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

(d) Financial Reporting Entity

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

Component units are reported as part of the reporting entity under the blended or discrete method of presentation. Blending involves merging the component unit data with the primary government. There are three situations when blending is allowed: (1) when the board of the component unit is substantially the same as that of the primary government and there is a financial benefit or burden relationship between the primary government and the component unit or management of the primary government has operational responsibility for the component unit, (2) when the component unit provides services entirely, or almost entirely, to the primary government or otherwise exclusively, or almost exclusively, benefits the primary government even though it does not provide services directly to it, or (3) the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. OHSU Foundation and INSCO are considered to be blended component units as they serve the primary government exclusively. All transactions between OHSU and its blended component units are eliminated upon consolidation. Tuality and OHI are presented discretely since they have a separate board of directors and they do not provide services exclusively to OHSU. They are both considered a nonmajor component unit as there are no significant transactions with OHSU and there is not a significant financial benefit/burden relationship with OHSU.

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

(e) Basis of Accounting

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

(f) Use of Estimates

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

(g) Cash and Cash Equivalents

OHSU held no cash equivalents within cash and cash equivalents at June 30, 2022 or 2021.

(h) Investments

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

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 (excluding intangible right-to-use lease and subscription IT assets) 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.

OHSU implemented GASB 89 in fiscal year 2022 ceasing the capitalization of interest on borrowed amounts during major construction. In addition, until fiscal year 2021 OHSU capitalized and amortized interest on borrowed amounts over the depreciable life of the related asset. Due to the implementation of GASB 89, during fiscal years 2022 and 2021, OHSU capitalized interest expense of $0 and $2,375, respectively.

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

(k) Net Position Classifications

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

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

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

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

(Dollars in thousands)

A summary of restricted funds by restriction category for fiscal years ended June 30, 2022 and 2021 is as follows:

		2022	2021
Restricted expendable:			
Research	$	412,421	488,399
Academic support		85,943	87,327
Instruction		62,072	69,368
Capital projects and planning		16,497	20,360
Student aid		63,511	70,631
Clinical support		18,195	19,877
Institutional support		5,817	5,875
Defined-benefit OPEB		10,070	4,328
Other		44,295	35,756
	$	718,821	801,921
Restricted nonexpendable:			
Research	$	43,454	42,307
Instruction		87,026	82,527
Academic support		106,253	101,133
Student aid		49,880	48,485
Other		37,369	30,244
	$	323,982	304,696

(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 Foundation’s spending policy for endowment funds is determined by the Executive Committee of the Board of Trustees (Executive Committee) and is calculated using a weighted average methodology comprised of an eight quarter moving average of the fair value of the endowment fund adjusted for inflation, and of the previous year’s actual spending distribution adjusted for inflation. The resulting effective spending rate payout is then banded to be between 4.0% and 5.5% each year. The Executive Committee authorized a 4.5% distribution rate to calculate the effective spending rate for the years ended June 30, 2022 and 2021.

The Foundation’s management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act enacted by the State in January 2008.

The endowment fund investment pool (endowment fund) held by the Foundation is the repository for funds from restricted, nonexpendable contributions where the principal amount cannot be used, but a spending distribution, described below, can be used for the designated purpose. The endowment fund also holds quasi-endowment funds, which have been designated as endowment by the Foundation's board of trustees. All interest, dividends, and changes in fair value on the endowment fund are allocated to the appropriate unrestricted or restricted net position classification as specified by the donor at the time of receipt. Endowment accounts receive spending distributions subject to the Foundation's board of trustees approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2022 and 2021, the fair value of investments in the endowment fund was $896,000 and $884,500, respectively. The fair value of the unspent portion of endowments in excess of corpus at June 30, 2022 and 2021 was $115,000 and $148,600, respectively.

At June 30, 2022, accumulated loss of $0.3 million related to endowment accounts with market value below corpus was reflected in nonexpendable restricted net position. There were no endowment accounts with market value below corpus at June 30, 2021.

(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, 2022, and 2021, the grants receivable balance was $36,281 and $27,086, 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, 2022, and 2021, the grants unearned revenue balance was $59,339 and $53,453, 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, 2022 and 2021 is as follows:

		2022	2021
Gross patient charges	$	6,963,647	6,249,986
Contractual discounts		(4,110,332)	(3,648,628)
Bad debt adjustments		(7,963)	(6,310)
Net patient service revenues	$	2,845,352	2,595,048

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 Administrative Contractor and Medicaid.

OHSU partners with the State of Oregon (the State) in an innovative collaboration resulting in significant additional federal funding for Oregon's Medicaid program. Through the Intergovernmental Transfer (IGT) partnership with the State this program reduces OHSU's losses from the Medicaid program and enables support for OHSU's research and education missions. In fiscal years 2022 and 2021, the program generated $166,000 and $144,250, respectively, for research and education.

The laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that estimated third-party payor settlements payable, net will change by a material amount in the near term. For the years ended June 30, 2022 and 2021, OHSU received third-party settlements of $1,945 and $(140), respectively, as a result of final settlements of prior years' cost reports and revisions of estimates for prior years cost report settlements.

(Dollars in thousands)

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, 2022 and 2021 were approximately as follows:

	2022	2021
Medicare and Medicare managed care contracts	22 %	22 %
Medicaid and OHP	19	20
Commercial and managed care insurance	57	55
Nonsponsored	2	3
	100 %	100 %

(r) *Student Tuition and Fees Revenues*

A summary of student tuition and fees revenues during the years ended June 30, 2022 and 2021 is as follows.

	2022	2021
Gross student tuition	$ 96,276	97,569
Tuition discounts	(15,390)	(14,799)
Student tuition and fees revenues, net	$ 80,886	82,770

(s) *Charity Care*

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

OHSU maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges forgone for services and supplies furnished under its charity care policy. Charity care provided measured as charges forgone and based on established rates was $85,789 and $83,729 in 2022 and 2021, respectively.

(t) *Pledges and Estates Receivable*

Pledges and estates receivable are recorded as receivables and revenues when all eligibility criteria are met in the appropriate net asset category based upon donor-imposed restrictions and are reported at fair value at the date the promise is received. Pledges are generally received within 5 to 10 years of the date of original commitment. The majority of estates are received within one year. Pledges and estates receivable, less reserves for estimated uncollectible amounts, are discounted to their present value using rates that range from 0.14% to 4.88%.

(u) Life Income Agreements

The Foundation has been named as remainder beneficiaries for various life income agreements. Life income agreements provide for contractual payments to designated beneficiaries for a specific period, after which the remaining principal and interest revert to the Foundation. Contributions received under life income agreements are included in long-term investments, restricted, with the corresponding commitment to the beneficiary included in liability for life income agreements in the accompanying statements of net position. The Foundation has investments with a fair value of $51,900 and $62,500 as at June 30, 2022 and 2021, 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). The Oregon insurance commissioner allowed payment of accrued interest to OHSU of $2,000 in fiscal year 2022.

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

OHSU reviewed the valuation of the note receivable as of June 30, 2022 and 2021 and has retained the current net valuation of $33,500, which represents 0.9% and 0.8% of the University's total net position as of June 30, 2022 and June 30, 2021, respectively.

(w) Leases (Lessee) and Similar Subscription-Based Information Technology Arrangements

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

Short-term Leases and Subscription IT arrangements

For leases and subscription IT arrangements with a maximum possible term of 12 months or less at commencement, OHSU recognizes expense based on the provisions of the lease contract or subscription IT arrangement, respectively.

Leases and Subscription IT arrangements other than short-term

For all other leases and subscription IT arrangements (i.e. those that are not short-term) whose total discounted minimum payment obligation are greater than $100, OHSU recognizes a lease or subscription IT liability, respectively, and an intangible right-to-use lease asset or subscription IT asset, respectively.

Measurement of Lease Amounts

At lease commencement, OHSU initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability plus any initial direct costs ancillary to placing the underlying asset into service, less any lease incentives received at or before the lease commencement date. Subsequently, the lease asset is amortized into depreciation expense on a straight-line basis over the lease term.

Measurement of Subscription IT Amounts

At subscription commencement, OHSU initially measures the subscription IT liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription IT liability is reduced by the principal portion of subscription payments made. The subscription IT asset is initially measured as the initial amount of the subscription IT liability less any vendor incentives received at or before the subscription commencement date, plus the capitalizable implementation costs. Subsequently, the subscription IT asset is amortized into depreciation expense on a straight-line basis over the subscription term.

Key Estimates and Judgments

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

- OHSU generally uses its estimated incremental borrowing rate as the discount rate for leases and subscription IT arrangements unless the rate that the lessor/vendor charges is known. OHSU obtains its current incremental borrowing rate from its primary banking institution on a periodic basis. OHSU's incremental borrowing rate for leases and subscription IT arrangements is based on the rate of interest it would need to pay if it issued general obligation bonds to borrow an amount equal to the lease or subscription payments, respectively, under similar terms at the commencement or remeasurement date.

- The lease or subscription term includes the noncancelable period of the lease or subscription IT arrangement, respectively, plus any additional periods covered by either an OHSU or lessor unilateral option to (1) extend for which it is reasonably certain to be exercised, or (2) terminate for which it is reasonably certain not to be exercised. Periods in which both OHSU and the lessor/vendor have an option to terminate (or if both parties have to agree to extend) are excluded from the lease or subscription term.

Remeasurement of Lease and Subscription Amounts

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

Presentation in Statement of Net Position

Lease and subscription IT assets are reported with capital assets and lease and subscription IT liabilities are reported with long-term leases in the statement of net position.

(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).

(Dollars in thousands)

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, 2022 and 2021 is as follows:

	2022	2021
Short-term investments:		
Cash & cash equivalents	$ 835	3
U.S. government securities	21,739	—
U.S. agency securities	—	4,016
Corporate obligations	—	82,676
Other fixed income	—	17,726
	22,574	104,421
Funds held by trustee, current portion:		
Fixed income	42,305	36,759
	42,305	36,759
Funds held by trustee, less current portion:		
U.S. government securities	135,765	—
Corporate obligations	137,845	—
Other fixed income	29,859	10,182
	303,469	10,182
Long-term investments – less current portion:		
Cash and cash equivalents	32,555	35,571
U.S. government securities	306,325	393,402
U.S. agency securities	147,035	89,353
Corporate obligations	243,208	369,112
Fixed income	226,209	139,843
Equities	755,564	616,455
Alternative investments	222,666	245,212
Joint ventures and partnerships	661,846	638,716
Real estate investments and other	89,998	65,788
	2,685,406	2,593,452
Total investments, all categories	$ 3,053,754	2,744,814

(Dollars in thousands)

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.

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, 2022:

	Level 1	Level 2	Level 3	Fair value
Cash and money market funds	$ —	82,131	—	82,131
U.S. government securities	—	463,830	—	463,830
U.S. agency securities	—	147,035	—	147,035
Domestic equity securities	98,696	—	134	98,830
International equity securities	54,904	—	—	54,904
U.S. corporate securities	—	335,178	—	335,178
Non-U.S. corporate securities	—	45,875	—	45,875
Asset-backed securities	—	74,129	—	74,129
Venture capital and private equity	—	—	21,236	21,236
Mutual funds – fixed income only	166,910	—	—	166,910
Municipal bonds	—	7,312	—	7,312
Other fixed income	—	423	11,628	12,051
Alternative Investments	—	—	731	731
Real estate investments and other	1,088	1,634	4,464	7,186
	$ 321,598	1,157,547	38,193	1,517,338
Investments measured using NAV per share or its equivalent				1,439,251
Equity method investments				97,165
Total assets				$ 3,053,754

(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, 2021.

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

(Dollars in thousands)

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

		2022	2021
Balance at beginning of year	$	41,472	29,238
Contributions		1,859	732
Net realized gains (losses)		100	23
Net unrealized gains (losses)		70	537
Purchases		21,971	26,431
Sales		(1,418)	(553)
Transfer from (to) NAV per share, or its equivalent, classification from sales		(25,861)	(14,936)
Balance at end of year	$	38,193	41,472

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.

(Dollars in thousands)

The following table presents information for investments where either the NAV per share or its equivalent was used to value the investments as of June 30, 2022 and 2021:

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

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, 2022 and 2021, OHSU had the following investments and maturities at fair value:

	2022				
	Maturity				
	Less than 1 year	1–5 Years	6–10 Years	More than 10 years or none	Total
Cash and money market funds	$ 81,527	598	—	5	82,130
U.S. government securities	151,065	189,133	75,525	48,107	463,830
U.S. agency securities	135	12,155	128,005	6,740	147,035
Domestic equity securities	—	—	—	550,781	550,781
International equity securities	—	—	—	204,784	204,784
U.S. corporate securities	145,094	96,711	43,452	49,921	335,178
Non-U.S. corporate securities	2,977	23,173	10,708	9,018	45,876
Asset-backed securities	4,516	23,308	27,491	18,814	74,129
Joint ventures and partnerships	—	—	—	661,846	661,846
Mutual funds – fixed income only	50,250	45,165	48,497	23,853	167,765
Municipal bonds	313	1,723	1,932	3,345	7,313
Other fixed income	—	310	113	—	423
Alternative investments	—	—	—	222,666	222,666
Real estate investments and other	—	—	—	89,998	89,998
	$ 435,877	392,276	335,723	1,889,878	3,053,754

(Dollars in thousands)

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

OHSU held $74,129 and $34,992 of asset-backed securities collateralized primarily by auto loans, credit card receivables, and collateralized mortgage obligations as of June 30, 2022 and 2021, 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, 2022 and 2021, OHSU had certain joint ventures and partnerships, alternative investments, real estate investments, and other investments. These investments may contain elements of both credit and market risk. Such risks may include limited liquidity, absence of regulatory oversight, dependence upon key individuals, and nondisclosure of portfolio composition. Because these investments are not readily marketable, their estimated fair value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such differences could be material.

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

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

(b) Credit Risk

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

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

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

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

(Dollars in thousands)

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.

As of June 30, 2022 and 2021, OHSU had the following investments with credit rating at fair value:

Investment type	Credit rating S&P or equivalent	Total 2022	Total 2021
Cash and money market funds	BBB	$ —	40
	BB	—	70
	B	—	196
	Below B	—	18
	A-1+	26,681	40,791
	Not rated	1,135	972
	NA	54,314	10,720
U.S. government securities	AAA	43,464	59,049
	AA+	279,559	333,421
	AA	1,867	932
	AA-	10	—
	A-	2,105	—
	BBB+	663	—
	BBB-	304	—
	NA	135,858	—
U.S. agency securities	AAA	9,457	8,949
	AA+	137,578	83,450
	AA	—	193
	NA	—	777
Commercial Paper	A-1+	—	1,874
	A-1	—	3,674

(Dollars in thousands)

(Continued)	Credit rating S&P or equivalent	Total 2022	Total 2021
U.S. corporate securities	AAA	$ 12,178	116
	AA+	14,158	—
	AA	10,378	1,551
	AA-	22,991	3,188
	A+	42,704	11,734
	A	65,181	39,077
	A-	54,701	29,360
	BBB+	30,076	73,233
	BBB	60,161	50,733
	BBB-	16,372	18,533
	BB+	300	247
	BB	1,758	1,379
	B	532	539
	Below B	17	155
	Not rated	456	448
	NA	3,215	81,888
Non-U.S. corporate securities	AAA	9,070	—
	AA+	1,367	—
	AA	668	—
	AA-	2,222	5,923
	A+	2,255	7,295
	A	2,618	14,203
	A-	8,770	45,499
	BBB+	6,273	33,548
	BBB	8,550	20,444
	BBB-	824	7,606
	BB+	2,701	—
	NA	558	5,089
Asset-backed securities	AAA	18,749	18,287
	AA+	34,357	1,540
	AA	2,905	1,634
	A	720	669
	BBB+	363	
	BBB	1,806	705
	BBB-	—	227
	BB	673	167
	B	528	136
	Below B	1,889	1,770
	Not rated	3,395	2,645
	NA	8,744	7,212

(Dollars in thousands)

(Continued)	Credit rating S&P or equivalent		Total 2022	Total 2021
Mutual funds – fixed income only	AAA	$	98,949	67,812
	AA		8,043	16,176
	A		16,218	20,705
	BBB		21,842	22,486
	BB		7,347	5,741
	B		5,394	4,278
	Below B		4,488	2,846
	Not rated		5,484	2,405
Municipal bonds	AAA		1,529	390
	AA		3,229	3,020
	AA-		1,069	—
	A+		154	351
	A		437	—
	A-		53	—
	BBB+		707	—
	BBB		11	79
	BB		71	89
	Not rated		53	27
Other fixed income	BBB		67	—
	BB		138	—
	B		186	—
	Below B		28	—
	Not rated		4	328
Joint ventures and partnerships	NA		661,846	638,715
Alternative investments	NA		222,666	245,212
Real estate investments and other	NA		89,998	65,792
Domestic equity securities	NA		550,781	428,262
International equity securities	NA		204,784	188,194
		$	3,053,754	2,744,814

(Dollars in thousands)

(c) Concentration of Credit Risk

The current fund's investment policy limits investments in any issuer or issuer as follows:

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

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

As of June 30, 2022 or 2021, 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:

Foreign currency		Value (U.S. dollar) 2022	Value (U.S. dollar) 2021
British sterling pound	$	11,290	13,201
Canadian dollar		—	1
Euro		17,225	21,432
Total	$	28,515	34,634

(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, 2022 and 2021 is as follows:

	Due from contractual agencies		Due to contractual agencies		Net, due from (to)	
	As of June 30, 2022	As of June 30, 2021	As of June 30, 2022	As of June 30, 2021	As of June 30, 2022	As of June 30, 2021
Medicaid	$ 20,647	18,802	—	—	20,647	18,802
Intergovernmental transfer	146	5,357	(1,960)	(1,236)	(1,814)	4,121
Medicare	—	—	(191)	(3,910)	(191)	(3,910)
Other contractual agencies	—	—	(5,386)	(5,766)	(5,386)	(5,766)
	$ 20,793	24,159	(7,537)	(10,912)	13,256	13,247

In 2017, OHSU worked with the state legislature and the Oregon Health Authority to build a program that leverages federal funds for the state's Medicaid program, maintain historical principles of support for OHSU's missions, and simplify the complexity of prior funding programs between OHSU and the State. The legislature approved the program in the Oregon Health Authority's 2017–2019 budget and Oregon's OHSU Intergovernmental Transfer (IGT) Program was approved by the U.S. Centers for Medicare and Medicaid Services (CMS) and implemented on January 1, 2018, with the corresponding funding payments between entities beginning in March 2018. Under this IGT program, OHSU no longer pays the provider tax paid by other hospitals in Oregon. Instead, because OHSU is an Oregon public corporation, it transfers funds directly to the state to be used for Oregon's Medicaid program. The federal government matches funds used in the Medicaid program on approximately a three-to-one basis.

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

During fiscal year 2022 and 2021, respectively, OHSU made intergovernmental transfers of $352,675 and $352,483 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 $486,939 and $469,546, in fiscal year 2022 and 2021, 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, 2022 and 2021, the University was able to provide support for research and education of $166,000 and $144,250, respectively.

(Dollars in thousands)

(5) Capital Assets

Capital assets for fiscal years ended June 30, 2022 and 2021 are listed by category below:

	2022	2021
Land and land improvements	$ 84,835	82,303
Buildings and other improvements	2,969,181	2,857,836
Equipment	1,166,596	1,134,725
Construction in progress	120,952	114,969
Accumulated depreciation	(2,257,736)	(2,133,846)
Total capital assets, net excluding lease and subscription IT assets	2,083,828	2,055,987
Lease and subscription IT assets, net (Note 13(g))	97,380	77,910
Total capital assets, net as reported in the statement of net position	$ 2,181,208	2,133,897

(Dollars in thousands)

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

		Balance June 30, 2021	Increases	Decreases		Balance June 30, 2022
Capital assets not depreciated:						
Land and land improvements	$	82,303	2,532	—		84,835
Construction in progress		114,969	183,134	(177,151)		120,952
Total capital assets not depreciated		197,272	185,666	(177,151)		205,787
Other capital assets:						
Buildings and other improvements		2,857,836	112,388	(1,043)		2,969,181
Equipment		1,134,725	87,683	(55,812)		1,166,596
Total other capital assets		3,992,561	200,071	(56,855)		4,135,777
Less accumulated depreciation:						
Buildings and other improvements		(1,238,264)	(105,418)	684		(1,342,998)
Equipment		(895,582)	(73,462)	54,306		(914,738)
Total accumulated depreciation		(2,133,846)	(178,880)	54,990		(2,257,736)
Other capital assets, net		1,858,715	21,191	(1,865)		1,878,041
Total capital assets, net	$	2,055,987	206,857	(179,016)		2,083,828
Lease and subscription IT assets, net (Note 13(g))						97,380
Total capital assets, net as reported in the statement of net position					$	2,181,208

(Dollars in thousands)

	Balance June 30, 2020	Increases	Decreases	Balance June 30, 2021
Capital assets not depreciated:				
Land and land improvements	$ 82,303	—	—	82,303
Construction in progress	151,347	23,165	(59,543)	114,969
Total capital assets not depreciated	233,650	23,165	(59,543)	197,272
Other capital assets:				
Buildings and other improvements	2,757,678	100,158	—	2,857,836
Equipment	1,072,012	68,579	(5,866)	1,134,725
Total other capital assets	3,829,690	168,737	(5,866)	3,992,561
Less accumulated depreciation:				
Buildings and other improvements	(1,132,904)	(105,359)	(1)	(1,238,264)
Equipment	(826,845)	(73,173)	4,436	(895,582)
Total accumulated depreciation	(1,959,749)	(178,532)	4,435	(2,133,846)
Other capital assets, net	1,869,941	(9,795)	(1,431)	1,858,715
Total capital assets, net	$ 2,103,591	13,370	(60,974)	2,055,987
Lease and subscription IT assets, net (Note 13(g))				77,910
Total capital assets, net as reported in the statement of net position				$ 2,133,897

(6) Compensated Absences Payable

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

Sick leave is recorded as an expense when paid. Sick leave for employees is earned at the rate of 8 hours per month and a maximum of 96 hours per year, with no restrictions on maximum hours accrued. Employees in the following groups earn sick leave at the rate of 1 hour for 30 hours worked: resource, flex, temporary, unclassified below 0.5FTE, OHSU student, non-OHSU student, graduate assistant. In response to the COVID-19 pandemic, effective March 2020 employees were granted additional 112 sick leave hours prorated by FTE. The additional hours were intended to support employees who become sick prior to December 20, 2020: 80 hours were available immediately when needed and 32 hours available after exhausting the employee's sick leave bank. The additional sick leave hours have been extended beyond December 2020. At the end of March 2021 and throughout FY22 the additional number of sick leave hours has been set to 80 hours prorated by FTE. These hours can be used for COVID-19 symptoms, for COVID-19 testing as well as for vaccination side effects. No liability exists for terminated employees.

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

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

(7) Retirement Plans

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

(a) Defined-Benefit Pension Plan Descriptions

PERS is a cost-sharing, multiemployer retirement system available to units of state government, political subdivisions, community colleges, and school districts, containing multiple actuarial pools. Plan assets may be used to pay the benefits of the employees of any employer that provides pensions through the plan. As of the June 30, 2021 measurement date, there were 900 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 Annual Comprehensive Financial Report (ACFR) and Actuarial Valuations may be obtained from the PERS Web site at https://www.oregon.gov/pers/EMP/Pages/Actuarial-Financial-Information.aspx.

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

(i) Benefits Provided

The following describes the benefits provided through the PERS plan:

(1) PERS Tier 1/PERS Tier 2

(a) The Tier 1/Tier 2 plans are closed to new members hired on or after August 29, 2003.

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

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

1. An active member in each of 5 calendar years

2. Reached at least 55 years of age while working in a qualifying position (age 50 for police and fire members).

(d) The retirement allowance is payable monthly for life. It may be selected from 13 retirement benefit options. These options include survivorship benefits and lump-sum refunds.

(e) The basic benefit is based on years of service and final average salary. A percentage (2.00% for police and fire employees, 1.67% for general employees) is multiplied by the number of years of service and the final average salary. Benefits may also be calculated under either a formula plus annuity (for members who were contributing before August 21, 1981) or a money match computation if a greater benefit results.

(f) Normal retirement age for general members is age 58 for Tier 1 and age 60 for Tier 2, or any age with 30 years or more of retirement credit. Normal retirement age for police and fire members is age 55, or age 50 with 25 years or more of retirement credit. Benefits are reduced if normal retirement age is not attained.

(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:

3. Completion of at least 600 hours of service in each of five calendar years

4. 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, 2019 actuarial valuation. The rates were based on a percentage of payroll and first became effective July 1, 2021. The employer contribution rate for PERS Tier 1 and Tier 2 was 17.53% from July 1, 2021 to June 30, 2023. The employer contribution rate for OPSRP was 13.34% (OPSRP Police and Fire, 17.70%) from July 1, 2021 to June 30, 2023.

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 2022 and 2021, respectively. Amounts contributed postmeasurement date, including fiscal year 2022 and 2021 side account contributions of $10,000, are recorded as deferred outflows in the amount of $63,754 and $58,333 for the years ended June 30, 2022 and 2021, respectively. In fiscal year 2020, OHSU participated in the Employer Incentive Fund (EIF), a program that provided a 25% match on qualifying employer lump-sum payments made after June 2, 2018, receiving a $5,000 match payment. OHSU recognized the $5,000 match payment as state appropriations in fiscal year 2021.

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

(iii) Net Pension Liability

OHSU's proportionate share of the net pension liability for PERS as of June 30, 2022 and 2021 is $305,955 and $595,311, respectively, utilizing a June 30, 2021 and 2020 measurement date, respectively. The net pension liability for the June 30, 2022 and 2021 fiscal year-end was determined based on the results of the December 31, 2019 and December 31, 2018 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 2.56% for the June 30, 2021 measurement date and 2.73% for the June 30, 2020 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.

(Dollars in thousands)

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

OHSU's pension expense for the years ended June 30, 2022 and 2021 was $23,008 and $113,695, 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 2021, the assumed rate of return on investments was reduced from 7.20% to 6.90%. The new assumed rate was also used in the actuarial valuation, which established the employer contribution rates for the 2021-23 biennium.

Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the fiscal years ended June 30, 2022 and 2021:

		Deferred outflow of resources		Deferred inflow of resources	
		2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$	28,639	26,201	—	—
Changes of assumptions		76,591	31,948	(805)	(1,119)
Net difference between projected and actual earnings on pension plan investments		—	70,001	(226,496)	—
Changes in proportionate share		—	—	(50,333)	(43,760)
Differences between contributions and OHSU's proportionate share of system contributions		5,528	3,262	(734)	(1,335)
Total (prior to post-MD contributions)		110,758	131,412	(278,368)	(46,214)
Contributions subsequent to the measurement date		63,754	58,333	—	—
Gross deferred outflow (inflow) of resources	$	174,512	189,745	(278,368)	(46,214)

The contributions made subsequent to the measurement date of $63,754 will be recognized as a reduction in the net pension liability during the year ending June 30, 2023.

(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
2023	$	(35,158)
2024		(34,561)
2025		(42,085)
2026		(60,848)
2027		5,042
Total	$	(167,610)

(v) Actuarial Methods and Assumptions

The following methods and assumptions were used in developing total pension liability reported as of June 30, 2022 and 2021.

Actuarial Methods and Assumptions	2022	2021
Valuation date	December 31, 2019	December 31, 2018
Measurement date	June 30, 2021	June 30, 2020
Experience study report	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018	2018, published July 2019 Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry Age Normal	Entry Age Normal
Inflation rate	2.40 %	2.50 %
Long-term expected rate of return	6.90	7.20
Discount rate	6.90	7.20
Projected salary increases	3.40	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	2022	2021
Mortality	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.	***Healthy retirees and beneficiaries:*** Pub-2010 Healthy retiree, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustment and set-backs as described in the valuation.
	Active members: Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Active members:*** Pub-2010 Employee, sex distinct, generational with Unisex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.
	Disabled retirees: Pub-2010 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.	***Disabled retirees:*** Pub-2010 Disabled retirees, sex-distinct, generational with Unsex, Social Security Data Scale, with job category adjustments and set-backs as described in the valuation.

Actuarial valuations of an ongoing plan involve estimates of the value of projected benefits and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Experience studies are performed as of December 31 of even numbered years. The 2018 experience study, used in developing total pension liability measured as of June 30, 2021, was based on the data for the experience period January 1, 2015 to December 31, 2018.

(vi) Discount Rate

The discount rate used to measure the total pension liability for the fiscal year ending June 30, 2022 and June 30, 2021 was 6.90% and 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, 2022	$	600,822	305,955	59,258
June 30, 2021	$	883,987	595,311	353,242

(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.

(Dollars in thousands)

(1) Assumed Asset Allocation

The following table illustrates both the assumed and actual asset allocation. Deferred outflows of resources and deferred inflows of resources for pensions were related to the following sources as of the measurement date June 30, 2021:

OIC Target and Actual Investment Allocation as of June 30, 2021*

Asset class/strategy	OIC policy low range	OIC policy high range	OIC target allocation	Asset class/strategy	Actual allocation[3]
Debt securities	15.0 %	25.0 %	20.0 %	Debt securities	20.8 %
Public equity	27.5	37.5	32.5	Public equity	29.4
Real estate	9.5	15.5	12.5	Real estate	10.5
Private equity	14.0	21.0	17.5	Private equity	25.1
Alternatives portfolio	7.5	17.5	15.0	Alternatives portfolio	9.5
Opportunity portfolio[1]	—	5.0	—	Opportunity portfolio[1]	2.3
Risk Parity[2]	—	2.5	2.5	Risk Parity[2]	2.4
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 5% of total plan net position.

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

[3] Based on the actual investment value at 6/30/2021.

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

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

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	20.0 %
Public equity	27.5	37.5	32.5	Public equity	31.8
Real estate	9.5	15.5	12.5	Real estate	11.4
Private equity	14.0	21.0	17.5	Private equity	22.9
Alternative equity	7.5	17.5	15.0	Alternative equity	10.5
Opportunity portfolio[1]	—	3.0	—	Opportunity portfolio[1]	2.1
Risk Parity		2.5	2.5	Risk Parity	1.3
Total			100.0 %	Total	100.0 %

[1] Opportunity portfolio is an investment strategy, and it may be invested up to 3% of total plan net 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. Risk parity is included with the alternatives portfolio.

(Dollars in thousands)

(2) Long-Term Expected Rate of Return

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

Asset class	2022 Target allocation*	2022 Compound annual return (Geometric)	Asset Class	2021 Target allocation**	2021 Compound annual return (Geometric)
Global Equity	30.62 %	5.85 %	Core fixed income	9.60 %	4.07 %
Private Equity	25.50	7.71	Short-term bonds	9.60	3.68
Core Fixed Income	23.75	2.73	Bank/leveraged loans	3.60	5.19
Real Estate	12.25	5.66	High-yield bonds	1.20	5.74
Master Limited Partnerships	0.75	5.71	Large/mid cap U.S. equities	16.17	6.30
Infrastructure	1.50	6.26	Small cap U.S. equities	1.34	6.68
Commodities	0.63	3.10	Micro cap U.S. equities	1.34	6.79
Hedge Fund of Funds - Multistrategy	1.25	5.11	Developed foreign equities	13.48	6.97
Hedge Funds Equity - Hedge	0.63	5.31	Emerging market equities	4.22	7.69
Hedge Funds - Macro	5.62	5.06	Non-U.S. small cap equities	1.93	7.25
US Cash	(2.50)	1.76	Private equity	17.50	8.33
			Real estate (property)	10.00	5.55
Assumed Inflation - Mean		2.40	Real estate (REITs)	2.50	6.69
			Hedge fund of funds – diversified	1.50	4.06
			Hedge fund – event-driven	0.38	5.59
			Timber	1.13	5.61
			Farmland	1.13	6.12
			Infrastructure	2.25	6.67
			Commodities	1.13	3.79
			Assumed Inflation - mean		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 June 2, 2021

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

(Dollars in thousands)

(b) Other Retirement Plans

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

Effective July 1, 1996, OHSU established the UPP. The UPP is a defined-contribution plan, which is available as an alternate to PERS for employees who are not eligible for the CRP. Employees become fully vested in employer contributions over a three- to four-year period (depending on collective bargaining agreements) or upon reaching age 50. Contribution levels are determined by the collective bargaining agreements for union represented employees and the board of directors of OHSU for noncollective bargaining employees. In fiscal years 2022 and 2021, all employer contributions to the plan were 6% of salary.

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

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

		2022	2021
UPP:			
Employer contribution	$	56,342	50,758
Employee contribution [1]		23,153	22,809
	$	79,495	73,567

		2022	2021
CRP:			
Employer contribution	$	37,927	33,705
	$	37,927	33,705

[1] Of the employees' share, the employer paid $23,153 and $22,809 related to noncollective bargaining employees and ONA-represented employees in fiscal years 2022 and 2021, 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. ONA-represented, research and unclassified administrative employees hired July 1, 2017 or later, and enrolled in the UPP, are eligible for a 403(b) match paid by the employer, otherwise, all other contributions to these plans are made by the employee and are fully vested at the time of the contribution.

(Dollars in thousands)

The Foundation has defined-contribution plans available for substantially all employees. The plans are funded through the purchase of a group annuity contract with an insurance company at a discretionary amount equal to 12% of eligible compensation. Contributions are fully vested after five years. The Foundation contributed $1,100 and $1,300 for the purchase of retirement annuities during the fiscal years ended June 30, 2022 and 2021, respectively.

(8) Postemployment Benefits Other than Pensions (OPEB)

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

(a) Single-Employer, Defined-Benefit Plans

(i) Plan Description

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

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

(ii) Employees Covered by Benefit Terms

The plan provides access for retiring employees to OHSU's employee medical plans at the same premium rates assessed to active employees. As of the measurement date of October 1, 2021, the following employees were covered by the benefit terms.

	October 1, 2021	October 1, 2020
Active employees	15,304	14,460
Retired members and others, receiving benefits	125	115
Total participants	15,429	14,575

(Dollars in thousands)

(iii) Benefit Payments

Benefit payments made for the fiscal year-end June 30, 2022 and June 30, 2021 were $649 and $674, respectively.

(iv) Total OPEB Liability

The total OPEB liability as of the reporting date June 30, 2022 and 2021 is $24,127 and $23,224, respectively. The total OPEB liability was determined by an actuarial valuation as of October 1, 2021, calculated based on the discount rate and actuarial assumptions below, and was then projected forward to the measurement date. The liability is included in other noncurrent liabilities in the accompanying statements of net position.

(v) Actuarial Assumptions and Other Inputs

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

Fiscal year ending	June 30, 2022	June 30, 2021
Valuation date	October 1, 2021	October 1, 2019
Measurement date	October 1, 2021	October 1, 2020
Reporting date	June 30, 2022	June 30, 2021
Experience study report	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018	2018 Oregon PERS Experience Study Based on January 1, 2015 to December 31, 2018
Inflation	2.40 %	2.50 %
Discount rate*	2.26 %	2.21 %

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

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

The OPEB expense, which is considered concurrent period interest cost, service cost, amortization of deferred outflows and inflows, and effect of plan changes, was $3,448 and $3,369 for the fiscal year ended June 30, 2022 and June 30, 2021, respectively.

(Dollars in thousands)

As of June 30, 2022 and 2021, the deferred inflows and outflows of resources were as follows:

		Deferred outflow of resources		Deferred inflow of resources	
		2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$	2,422	905	—	—
Changes of assumptions		5,378	6,786	(2,580)	(824)
Total (prior to post-MD contributions)		7,800	7,691	(2,580)	(824)
Contributions subsequent to the measurement date		649	675	—	—
Gross deferred outflow (inflow) of resources	$	8,449	8,366	(2,580)	(824)

The contributions made subsequent to the measurement date of $649 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2023.

(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, 2021 through June 30, 2023 are 0.05% for Tier One and Tier Two member-covered salaries to amortize the unfunded actuarial accrued liability. These rates were based on the December 31, 2019 actuarial valuation.

Contributions to the OPEB plan from OHSU were $81 and $78 for the years ended June 30, 2022 and June 30, 2021, 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, 2022 and 2021, OHSU reported an asset of $10,070 and $4,328 for its proportionate share of the net OPEB asset (liability), respectively. The net OPEB asset (liability) was measured as of June 30, 2020 and 2019 and the total OPEB asset (liability) used to calculate the net OPEB asset (liability) was determined by an actuarial valuation as of December 31, 2019 and December 31, 2018, 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, 2021 and 2020 measurement date, OHSU's proportionate share was 2.93% and 2.12%, 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 ($1,665) and $(128), for the year ended June 30, 2022 and 2021, respectively. As of June 30, 2022 and 2021, the deferred inflows and outflows of resources were as follows:

	Deferred outflow of resources		Deferred inflow of resources	
	2022	**2021**	**2022**	**2021**
Differences between expected and actual experience	$ —	—	(280)	(442)
Changes of assumptions	198	—	(150)	(230)
Net difference between projected and actual earnings on investments	—	481	(2,393)	—
Changes in proportionate share	525	1,110	(993)	(23)
Differences between contributions and OHSU's proportionate share of system contributions	—	—	—	—
Total (prior to post-MD contributions)	723	1,591	(3,816)	(695)
Contributions subsequent to the measurement date	81	78		—
Gross deferred outflow (inflow) of resources	$ 804	1,669	(3,816)	(695)

The contributions made subsequent to the measurement date of $81 will be recognized as a reduction in the total OPEB liability during the year ending June 30, 2023.

(Dollars in thousands)

(v) Actuarial Assumptions and Other Inputs

The total OPEB asset (liability) in the December 31, 2019 and 2018 actuarial valuations were determined using the following actuarial assumptions, applied to all periods included in the measurement.

Fiscal year ending	June 30, 2022	June 30, 2021
Valuation date	December 31, 2019	December 31, 2018
Measurement date	June 30, 2021	June 30, 2020
Reporting date	June 30, 2022	June 30, 2021
Experience study report	2018, published July 24, 2019 Based on data for the experience period January 1, 2015 to December 31, 2018	2018, published July 24, 2019 Based on data for the experience period January 1, 2015 to December 31, 2018
Actuarial assumptions:		
Actuarial cost method	Entry age normal	Entry age normal
Inflation rate	2.40%	2.50%
Long-term expected rate of return	6.90%	7.20%
Discount rate	6.90%	7.20%

(Dollars in thousands)

(9) Long-Term Debt, Bonds, and Right-to-Use Lease Liabilities

Long-term debt and long-term leases at June 30, 2022 and 2021, is as follows:

	2022	2021
Revenue Bonds		
Series 1995A	$ —	12,550
Series 2012A	13,800	73,905
Series 2015C	100,000	100,000
Series 2016B	199,835	199,835
Series 2017A	65,460	65,460
Series 2019A	124,440	129,145
Series 2019B-1	—	25,950
Series 2019B-2	150	49,120
Series 2019C	65,045	65,045
Series 2021A	338,380	—
Series 2021B-1	45,990	—
Series 2021B-2	45,970	—
Series 2021C	11,585	—
Direct Placement and Direct Purchase Revenue Bonds		
Series 2016A	—	50,000
Series 2017B	50,000	50,000
Series 2019D	50,000	50,000
Series 2022A	56,495	—
Other Debt		
State of Oregon DSPA and TIC Agreements	25,241	25,369
City of Portland Local Improvement District Agreements	9,541	11,396
Line of Credit	—	—
Unamortized Bond Premiums and Discounts	127,474	59,981
Financed Purchases [a]	2,418	2,202
Long-Term Leases [b]	88,047	70,923
	1,419,871	1,040,881
Less: Current Portion of Long-Term Debt and Long-Term Leases	(46,315)	(40,781)
Noncurrent Long-Term Debt and Long-Term Leases	$ 1,373,556	1,000,100

[a] GASB Statement No. 87 and No. 96 established a model for lease accounting, substantially changing all prior lease accounting and financial statement footnote disclosures. Changes adopted to conform to the provisions of these Statements were applied retroactively by restating financial statements for all periods presented. Fiscal year 2021 leases are now reported as lease liabilities, and financed purchases are now reported as debt.

[b] The Foundation recorded lease liabilities and subscription IT liabilities of $11,840 and $2,658 during the fiscal years ended June 30, 2022 and June 30, 2021, respectively.

(a) Revenue Bonds

1995A Insured Revenue Bonds

The OHSU 1995A Insured Revenue Bonds (1995A Bonds) were tax exempt capital appreciation bonds with interest accreted until maturity. The 1995A Bonds matured on July 1, 2021. OHSU was required to maintain separate funds held by our bond trustee for debt service reserve requirements for these bonds. Funds from this debt service reserve were used for the final 1995A Bonds debt service payment, and the remaining funds were released to OHSU.

2012A Revenue Bonds (Refunded and Matured)

OHSU Series 2012A Revenue Bonds (2012A Bonds) were partially refunded on April 5, 2022. Several 2012A Bonds were refunded for a total principal amount of $56,495. Not all bonds were refunded, and there remains an outstanding principal amount of $13,800 as of June 30, 2022. The remaining 2012A Bonds matured on July 1, 2022 for a principal amount of $13,800. 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.

Bond proceeds from the issuance of the direct purchase OHSU Series 2022A Revenue Refunding Bonds were used to refund the $56,495 principal amount of the 2012A Bonds. The 2012A Bonds that were refunded 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, 2022 is $56,495. At the time of the refunding, funds were deposited into an irrevocable escrow account to provide for all future payments of principal and interest for these bonds up to the redemption date of July 1, 2022 on which the University redeemed the bonds. The funds held in escrow for the refunding of the 2012A Bonds as of June 30, 2022 is $57,667.

At the time of refunding, projected remaining debt service payments, including principal and interest, was $64,873 under the old refunded bonds and is $59,083 under the new bonds issued, a decrease of $5,790. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $5,524. While the refunding resulted in an economic gain for OHSU, no deferred accounting gain or loss was generated from the transaction.

2012E Revenue Bonds (Refunded)

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

The 2012E Bonds are considered to be defeased in substance and the liability related to these bonds has been removed from long-term debt. The amount of in substance defeased debt outstanding as of June 30, 2022 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 redeemed the bonds. The funds held in escrow for the refunding of the Series 2012E as of June 30, 2022 is $105,988.

While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original life of the 2012E Bonds. The balance of the deferred accounting loss from the refunding of the 2012E Bonds as of June 30, 2022 and 2021 are $7,494 and $8,427, respectively.

2015C Revenue Bonds

OHSU Series 2015C Revenue Bonds (2015C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $100,000 as of June 30, 2022. 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 2015C Bonds 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, 2022. The 2016B Bonds have maturities due beginning July 1, 2028 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 2.5% to 5.0%. The 2016B Bonds were issued to advance refund the Series 2009A Bonds and for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2016B Bonds are limited obligations of OHSU and are secured by OHSU’s gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2016B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2017A Revenue Bonds

OHSU Series 2017A Revenue Bonds (2017A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $65,460 as of June 30, 2022. The 2017A Bonds have maturities due beginning July 1, 2033 through July 1, 2046 requiring semiannual interest payments with coupon rates ranging from 3.5% to 5.0%. The Series 2017A Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of State matching grant funds for the construction of a new Knight Cancer Research Building. The 2017A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019A Revenue Bonds

OHSU Series 2019A Revenue Bonds (2019A Bonds) are tax-exempt fixed rate bonds with an outstanding principal amount of $124,440 as of June 30, 2022. The 2019A Bonds have remaining maturities due July 1, 2022 through July 1, 2049, requiring semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2019A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019B-1 Revenue Bonds (Refunded)

OHSU Series 2019B-1 Revenue Bonds (2019B-1 Bonds) were refunded on December 21, 2021. The 2019B-1 Bonds had an outstanding principal amount of $25,950 that was fully refunded, following acceptance of a bond tender offer. The 2019B-1 Bonds were previously issued as tax-exempt put bonds as part of a financing transaction used to refund several prior bond series and to pay for capital improvements for the University, and to pay for costs of issuance for the bonds.

Bond proceeds from the issuance of the OHSU Series 2021B-1 and Series 2021B-2 Revenue Bonds were used to refund the 2019B-1 Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $44,176 under the old refunded bonds and is $37,429 under the new bonds issued, a decrease of $6,747. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $4,302. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original mandatory purchase date for the 2019B-1 Bonds. The balance of the deferred accounting loss from the refunding of the 2019B-1 Bonds as of June 30, 2022 was $579.

2019B-2 Revenue Bonds (Partially Refunded)

OHSU Series 2019B-2 Revenue Bonds (2019B-2 Bonds) were partially refunded on December 21, 2021. Several 2019B-2 Bonds were refunded for a total principal amount of $48,970, following acceptance of stated amounts in a bond tender offer and exchange. Not all bonds were tendered, and there remains an outstanding principal amount of $150 as of June 30, 2022. The remaining 2019B-2 Bonds are tax-exempt put bonds with maturities due beginning July 1, 2040 through July 1, 2042, that have a first optional redemption date of November 1, 2024, and a mandatory purchase date of February 1, 2025. The 2019B-2 Bonds require semiannual debt service payments at a coupon rate of 5.0%. The 2019B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series and to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019B-2 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

Bond proceeds from the issuance of the OHSU Series 2021B-1, Series 2021B-2, and Series 2021C Revenue Bonds were used to refund the 2019B-2 Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $84,812 under the old refunded bonds and is $73,245 under the new bonds issued, a decrease of $11,567. The estimated economic gain or net present value savings for OHSU at the time of refunding, was $7,518. While the refunding resulted in an economic gain for OHSU, the event generated a deferred accounting loss, which has been reflected as a deferred outflow in the financial statements. The deferred accounting loss is being amortized using the effective-interest method over the original mandatory purchase date for the 2019B-2 Bonds. The balance of the deferred accounting loss from the refunding of the 2019B-2 Bonds as of June 30, 2022 was $3,864.

2019C Revenue Bonds

OHSU Series 2019C Revenue Bonds (2019C Bonds) are taxable fixed rate bonds with an outstanding principal amount of $65,045 as of June 30, 2022. The 2019C Bonds have maturities due beginning July 1, 2023 through July 1, 2032, and require semiannual interest payments with coupon rates ranging from 2.2% to 3.0%. The 2019C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University, and to pay for costs of issuance for the bonds. The 2019C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2019C Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021A Revenue Bonds

OHSU Series 2021A Revenue Bonds (2021A Bonds) were issued on December 21, 2021 as tax-exempt fixed rate bonds with a par amount of $338,380 and at a premium of $49,598. The 2021A Bonds have an outstanding principal amount of $338,380 as of June 30, 2022. The 2021A Bonds have maturities due beginning July 1, 2033 through July 1, 2051, and require semiannual interest payments with coupon rates ranging from 3.0% to 5.0%. The 2021A Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021A Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-1 Revenue Bonds

OHSU Series 2021B-1 Revenue Bonds (2021B-1 Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $45,990 and at a premium of $12,834. The 2021B-1 Bonds have an outstanding principal amount of $45,990 as of June 30, 2022. The 2021B-1 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-1 Bonds have a first optional redemption date of November 1, 2029, and an initial long-term rate mandatory purchase date of February 1, 2030. The 2021B-1 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-1 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021B-1 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021B-2 Revenue Bonds

OHSU Series 2021B-2 Revenue Bonds (2021B-2 Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $45,970 and at a premium of $15,093. The 2021B-2 Bonds have an outstanding principal amount of $45,970 as of June 30, 2022. The 2021B-2 Bonds have maturities due beginning July 1, 2040 through July 1, 2046, and require semiannual interest payments with coupon rates of 5.0%. The 2021B-2 Bonds have a first optional redemption date of November 1, 2031, and an initial long-term rate mandatory purchase date of February 1, 2032. The 2021B-2 Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021B-2 Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021B-2 Bonds are not general obligation bonds and are payable solely from revenue pledged.

2021C Revenue Bonds

OHSU Series 2021C Revenue Bonds (2021C Bonds) were issued on December 21, 2021 as tax-exempt long-term rate bonds with a par amount of $11,585. The 2021C Bonds have an outstanding principal amount of $11,585 as of June 30, 2022. The 2021C Bonds have maturities due beginning July 1, 2040 through July 1, 2042, and require semiannual interest payments with coupon rates of 4.0%. The 2021C Bonds have a first optional redemption date of November 1, 2028, and an initial long-term rate mandatory purchase date of February 1, 2029. The 2021C Bonds were issued as part of a financing transaction used to refund several prior bond series, to pay for capital improvements for the University including acquisition of an office building, and to pay for costs of issuance for the bonds. The 2021C Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2021C Bonds are not general obligation bonds and are payable solely from revenue pledged.

(b) Direct Placement and Direct Purchase Bonds

2016A Revenue Bonds (Refunded)

OHSU Series 2016A Revenue Bonds (2016A Bonds) were refunded on December 21, 2021. The 2016A Bonds had an outstanding principal amount of $50,000 that was fully refunded on a current refunding basis. The 2016A Bonds were previously issued as tax-exempt fixed rate direct placement bonds for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building.

Bond proceeds from the issuance of the OHSU Series 2021A and Series 2021B-2 Revenue Bonds were used to refund the 2016A Bonds. At the time of refunding, projected remaining debt service payments, including principal and interest, was $87,865 under the old refunded bonds and is $79,450 under the new bonds issued, a decrease of $8,415. The estimated economic gain or net present value savings for OHSU, at the time of refunding, was $4,770. While the refunding resulted in an economic gain for OHSU, no deferred accounting gain or loss was generated from the transaction.

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, 2022. The 2017B Bonds were issued for capital improvements related to the construction of an ambulatory care tower and as a prerequisite to the receipt of state matching grant funds for the construction of a new Knight Cancer Research Building. The 2017B Bonds are subject to event of default provisions that may cause the full outstanding amount to become immediately due and payable at the discretion of the bondholder representative. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on any bond when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures. The 2017B Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2017B Bonds are not general obligation bonds and are payable solely from revenue pledged.

2019D Revenue Refunding Bonds

OHSU Series 2019D Revenue Bonds (2019D Bonds) were converted to tax-exempt fixed rate direct purchase rate bonds from taxable fixed rate direct purchase rate bonds on April 5, 2022. The 2019D Bonds have an outstanding principal amount of $50,000 as of June 30, 2022. The 2019D Bonds were originally 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.

2022A Revenue Refunding Bonds

OHSU Series 2022A Revenue Bonds (2022A Bonds) were issued on April 5, 2022 as tax-exempt direct purchase rate bonds with a par amount of $56,495. The 2022A Bonds have an outstanding principal amount of $56,495 as of June 30, 2022. The 2022A Bonds were issued to refund on a current basis a portion of the OHSU Series 2012A Revenue Bonds. The 2022A 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 2022A Bonds are limited obligations of OHSU and are secured by OHSU's gross revenues. Pursuant to the Oregon Uniform Revenue Bond Act, the 2022A Bonds are not general obligation bonds and are payable solely from revenue pledged.

(c) Other Debt

State of Oregon DSPA and TIC Agreements

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

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

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

Pursuant to the DSPA and TIC, OHSU has an obligation to the State, and the State is the bond issuer. From time to time, the State has refinanced its bonds, some of which has affected the underlying bonds that were assigned to the DSPA and TIC. The total amount outstanding for debt assigned to OHSU under the DSPA and TIC as of June 30, 2022 and 2021 are $25,241 and $25,369. These balances are included in long-term debt in the Statements of Net Position. Payments under the terms of the DSPA and TIC by OHSU represents full satisfaction of any legal obligation related to such outstanding indebtedness.

City of Portland Local Improvement District Agreements

OHSU initially entered into various local improvement district agreements (LIDs) with the City of Portland, Oregon during fiscal years 2007 and 2008 for real improvements to Portland's South Waterfront District. During fiscal year 2012, OHSU entered into additional LIDs with the City of Portland for real improvements to the same Portland South Waterfront District. All outstanding LIDs debt is scheduled to be repaid in semiannual installments, with maturities through fiscal year 2029 and interest rates ranging between 4.19% and 4.71%. The total outstanding amount of principal as of June 30, 2022 and 2021 are $9,541 and $11,396, respectively, and have been included in long-term debt in the Statements of Net Position.

(d) Line of Credit

OHSU has a single line of credit available with U.S. Bank National Association for an aggregate principal amount not to exceed $100,000. As of June 30, 2022, OHSU has not drawn on its line of credit. Pursuant to the Second Amendment to Credit Agreement (Second Amendment) dated April 11, 2022 between OHSU and U.S. Bank National Association, OHSU made changes, including, without limitation, extending the maturity date of the existing line of credit to May 31, 2023, and revising rate calculation provisions to transition from LIBOR to SOFR based calculations. The previously existing revolving line of credit with U.S. Bank National Association was for an aggregate principal not to exceed $100,000. Under the Second Amendment, interest is payable on a monthly basis and interest rates are variable based on the monthly SOFR rate and an applicable margin. The line of credit is subject to event of default provisions that would cause the full outstanding amount to become immediately due and payable. Event of default provisions are extensive with certain provisions subjective in nature based on materiality. Some notably event of default provisions included, but not limited to, are if the University fails to pay principal or interest on the loan when due, if the University makes any material misrepresentation in connection to the agreement, and if the University fails to meet the debt covenants requiring financial disclosures.

(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 original life of the bond or through the bond mandatory tender date as applicable. The unamortized balances are included in long-term debt in the Statements of Net Position. The unamortized net premium balances as of June 30, 2022 and June 30, 2021 are $127,474 and $59,981. The significant increase from the prior year net premium balance is due to the recent issuance of the 2021A Bonds, 2021B-1 Bonds, and 2021B-2 Bonds on December 21, 2021. These bonds had a total original premium of $77,525, which added to the overall balance and has amortized since the issuance date of these bonds.

(Dollars in thousands)

(f) Interest Rate Swap Agreement

As of June 30, 2022 and 2021, OHSU held one interest rate swap agreement with Wells Fargo Bank, NA. The balances of OHSU's swap as of June 30, 2022 and 2021 are as follows:

		Notional		Fair value	
		2022	**2021**	**2022**	**2021**
Wells Fargo swap	$	70,200	70,200	(4,565)	(17,315)
	$	70,200	70,200	(4,565)	(17,315)

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 payments of 2.506% and receives a variable rate payment computed as 70.00% of the London Interbank Offered Rate. The fair value represents the estimated amount that OHSU would pay or receive if the swap agreement was terminated at year-end, taking into account current interest rates and the creditworthiness of the underlying counterparty. Total net cash payments made to the swap counterparty was $1,595 and $1,694 during the years ended June 30, 2022 and 2021, 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, 2022, the outstanding interest rate swap has no assigned hedges and is not associated with any variable rate debt.

The companion debt instrument for the interest rate swap and deferred amortization of debt instruments were adjusted based on the market value of the swap on the date of the termination of the related hedge assignments. The value of the companion debt instrument is $13,076 and $13,763 as of June 30, 2022 and 2021, respectively. The deferred amortization of debt instruments is $4,843 and $6,091 as of June 30, 2022 and 2021, 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. In fiscal year 2022, OHSU recorded an unrealized gain of $12,749 for the swap. In the previous fiscal year 2021, OHSU recorded an unrealized gain of $9,384 for the swap.

OHSU is exposed to swap credit risk, which is the risk that the counterparty will not fulfill its obligation. As of June 30, 2022 and 2021, 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.

(Dollars in thousands)

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.

(h) Summary of Long-Term Debt and Long-Term Leases

Total long-term debt and long-term lease balances as of June 30, 2022 and 2021 are $1,419,871 and $1,040,881, respectively. As of June 30, 2022, the total long-term debt and long-term lease balance of $1,419,871 includes the current portion of $46,315 and the noncurrent portion of $1,373,556.

Principal and interest payments under the outstanding long-term debt and long-term lease obligations are as follows:

		Principal	Interest	Total
Year(s) ending June 30:				
2023	$	46,315	49,145	95,460
2024		42,390	47,264	89,654
2025		38,360	46,054	84,414
2026		36,951	44,926	81,877
2027		35,832	43,813	79,645
2028–2032		158,093	203,632	361,725
2033–2037		162,356	173,334	335,690
2038–2042		191,354	133,309	324,663
2043–2047		286,151	82,672	368,823
2048–2052		294,595	25,345	319,940
	$	1,292,397	849,494	2,141,891

(Dollars in thousands)

(i) Changes in Long-Term Liabilities

Changes in OHSU's total long-term liabilities during the fiscal years ended June 30, 2022 and 2021 is summarized below:

	June 30, 2021 Balance	Increases	Decreases	June 30, 2022 Current Portion	June 30, 2022 Noncurrent Portion
Liability for self-funded insurance programs	$ 87,507	44,027	(28,137)	47,549	55,848
Liability for life income agreements	23,492	949	(4,330)	—	20,111
Long-term debt	967,756	575,945	(214,295)	23,076	1,306,330
Long Term Financed Purchase	2,202	1,666	(1,450)	659	1,759
ROU Lease Liability	70,923	39,151	(22,027)	22,580	65,467
Other noncurrent liabilities	88,133	26,175	(69,259)	—	45,049
Pension liability	595,311	179,979	(469,335)	—	305,955
	$ 1,835,324	867,892	(808,833)	93,864	1,800,519

	June 30, 2020 Balance	Increases	Decreases	June 30, 2021 Current Portion	June 30, 2021 Noncurrent Portion
Liability for self-funded insurance programs	$ 73,796	36,093	(22,382)	40,868	46,639
Liability for life income agreements	20,741	5,254	(2,503)	—	23,492
Long-term debt	995,408	1,620	(29,272)	22,848	944,908
Long Term Financed Purchase	1,987	1,303	(1,088)	1,234	968
ROU Lease Liability	74,463	12,394	(15,934)	16,699	54,224
Other noncurrent liabilities	55,098	65,916	(32,881)	—	88,133
Pension liability	503,720	302,855	(211,264)	—	595,311
	$ 1,725,213	425,435	(315,324)	81,649	1,753,675

(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.

(Dollars in thousands)

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, 2022 and 2021:

	2022			
	Agreements		Asset	Liability
Charitable remainder unitrusts	1	$	3	1
Charitable lead unitrusts	7		230	288
Life estate agreements	1		397	103
Total	9	$	630	392

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

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, 2022 and 2021 are as follows:

	2022			
	Agreements		Asset	Liability
Charitable remainder unitrusts	43	$	18,750	5,303
Charitable lead unitrusts	3		21,455	7,973
Charitable remainder trust annuities	—		—	—
Charitable gift annuities	166		10,026	5,920
Life estate agreements	4		2,767	915
Total	216	$	52,998	20,111

(Dollars in thousands)

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

Eleven charitable gift annuities, included above, with a total gift value of $3.1 million, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the insurance carrier pays the future beneficiary payments. To the extent the insurance carriers are unable to perform under the contract, the foundation would be responsible for payment.

(11) Funds Held in Trust by Others

The Foundation is the named beneficiaries of 38 and 39 trusts held by outside trustees as of June 30, 2022 and 2021, respectively. The reported fair market value of trust assets held by others was $50,900 and $59,500 of the years ended June 30, 2022 and 2021, respectively. The Foundation record contributions as trust distributions occur. Trust distributions of $2,100 and $1,800 were recorded as contributions during the fiscal years ended June 30, 2022 and 2021, respectively.

(Dollars in thousands)

(12) Pledges and Estates Receivables

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

		2022	2021
Pledges maturing within 1 year	$	121,843	121,862
Pledges maturing within 2–10 years		174,489	252,048
		296,332	373,910
Less allowance for uncollectible pledges		(856)	(920)
		295,476	372,990
Less discount for net present value		(5,785)	(9,542)
Total net pledges receivable		289,691	363,448
Estates receivable		7,151	6,512
Less allowance for uncollectible estates		(8)	(1)
Less discount for net present value (rates of 0.22% to 0.98%)		(363)	(239)
Total net estates receivable		6,780	6,272
Total pledges and estates receivable	$	296,471	369,720

(13) Commitments and Contingencies

(a) Liability for Self-Funded Insurance Programs

Coverage for professional liability, patient general liability, and automobile liability is provided through OHSU's solely owned captive insurance company, OHSU Insurance Company. Current coverage limits are $4,650 per claim with an annual aggregate of $20,000 for professional liability and $3,000 per claim for general liabilities.

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

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

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

(Dollars in thousands)

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 2022 and 2021 and, in management's opinion, provide an adequate reserve for loss contingencies.

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

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

Date of event	New OTCA limit (per claim)	Occurrence aggregate
07/01/2010–06/30/2011	$ 1,600	3,200
07/01/2011–06/30/2012	1,700	3,400
07/01/2012–06/30/2013	1,800	3,600
07/01/2013–06/30/2014	1,900	3,800
07/01/2014–06/30/2015	2,000	4,000
07/01/2015–06/30/2016	2,048	4,096
07/01/2016–06/30/2017	2,074	4,147
07/01/2017–06/30/2018	2,118	4,236
07/01/2018–06/30/2019	2,182	4,363
07/01/2019–06/30/2020	2,247	4,494
07/01/2020–06/30/2021	2,308	4,615
07/01/2021–06/30/2022	2,377	4,753

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

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

Effective January 1, 2017, OHSU Insurance Company affiliated with a newly formed Oregon limited liability company called OHSU Project Co., LLC (a controlled affiliate of OHSU), which comprises OHSU and other nonaffiliated healthcare providers and systems, referred to as members. The operating agreement of OHSU Project Co., LLC asserts that OHSU's membership interest or voting power with respect to OHSU Project Co., LLC may not constitute less than ten percent (10%) of the outstanding membership interests. OHSU's membership interest was 36.8% and 36.5% as of June 30, 2022 and 2021, 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 $30,536 and $23,756 as of June 30, 2022 and 2021, 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, 2022, approximately 53.5% of OHSU's employees are represented by labor organizations: 14.9% of OHSU's employees are nurses represented by the ONA, 38.5% of OHSU's employees are represented by the AFSCME, and less than 0.1% of OHSU's employees are represented by the OHSU Police Association. The current contract with ONA expires on June 30, 2023. The current contract with AFSCME will be in effect until June 30, 2022. The current contract with the OHSU Police Association expires on June 30, 2024.

(e) Construction Contracts

OHSU had outstanding commitments on unexpended construction contracts totaling approximately $52,107 and $35,129 at June 30, 2022 and 2021, 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.

(Dollars in thousands)

(g) Leases(lessee) and Similar Subscription Based Information Technology Arrangements

As discussed in note 1(w), OHSU is a lessee for various noncancelable leases of buildings and equipment. OHSU also has noncancelable subscription arrangements (similar to a lease) for the right-to-use various information technology hardware and software (subscription IT arrangements).

Intangible right-to-use lease and subscription IT assets

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

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022
Lease assets:					
Buildings and Equipment	$ 75,048	20,991	402	(3,207)	93,234
Less accumulated amortization:					
Buildings and Equipment	(14,317)	(14,867)	—	3,189	(25,995)
Total lease assets, net	60,731	6,124	402	(18)	67,239
Subscription IT assets	20,812	20,665	(54)	(768)	40,655
Less accumulated amortization:					
Subscription IT assets	(3,633)	(6,857)	—	(24)	(10,514)
Subscription IT assets, net	17,179	13,808	(54)	(792)	30,141
Total lease and subscription IT assets, net	$ 77,910	19,932	348	(810)	97,380

(Dollars in thousands)

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

	Balance June 30, 2020	Additions	Remeasurements	Deductions	Balance June 30, 2021
Lease assets:					
Buildings and Equipment	$ 70,048	5,000	—	—	75,048
Less accumulated amortization:					
Buildings and Equipment	(3,554)	(10,763)	—	—	(14,317)
Total lease assets, net	66,494	(5,763)	—	—	60,731
Subscription IT assets	7,995	12,858	—	(41)	20,812
Less accumulated amortization:					
Subscription IT assets	(313)	(3,361)	—	41	(3,633)
Subscription IT assets, net	7,682	9,497	—	—	17,179
Total lease and subscription IT assets, net	$ 74,176	3,734	—	—	77,910

Lease and subscription IT liabilities

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

	Balance June 30, 2021	Additions	Remeasurements	Deductions	Balance June 30, 2022	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ 70,923	39,151	414	(22,441)	88,047	22,552

(Dollars in thousands)

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

	Balance June 30, 2020	Additions	Remeasurements	Deductions	Balance June 30, 2021	Amounts Due within one year
Lease liabilities and subscription IT liabilities	$ (74,463)	(12,394)	—	15,934	(70,923)	(16,688)

Future annual lease payments are as follows:

	Principal Amount	Interest Amount	Total
Year ending June 30:			
2023	$ 22,552	2,283	24,835
2024	17,513	1,671	19,184
2025	12,913	1,210	14,123
2026	10,949	866	11,815
2027	9,447	567	10,014
2028 - 2032	8,882	1,393	10,275
2033 - 2037	4,121	624	4,745
2038 - 2042	1,544	61	1,605
2043 - 2047	126	6	132
	$ 88,047	8,681	96,728

(Dollars in thousands)

Future annual subscription IT payments are as follows:

		Principal Amount	Interest Amount	Total
Year ending June 30:				
2023	$	10,657	581	11,238
2024		6,620	290	6,910
2025		2,981	128	3,109
2026		1,248	63	1,311
2027		585	36	621
2028 - 2032		983	46	1,029
2033 - 2037		—	—	—
2038 - 2042		—	—	—
2043 - 2047		—	—	—
	$	23,074	1,144	24,218

Variable lease and subscription payments

Variable lease and subscription payments, other than those payments that depend on an index or rate or are fixed in substance, are excluded from the measurement of the lease and subscription IT liability. Such amounts are recognized as lease expense or subscription expense, respectively, in the period in which the obligation for those payments is incurred.

OHSU makes variable lease payments related to maintenance, support, utility, and insurance costs to its lessors. The amounts recognized as outflows (expense) for variable lease payments not included in the measurement of the lease liabilities were $2,330 and $1,816 during the years ended June 30, 2022 and 2021, respectively.

Lease and subscription commitments

As of June 30, 2022, OHSU has one lease for clinical space that has not yet commenced with lease payments due on an undiscounted basis of $1,984 over the respective lease terms. The lease will commence in 2023 with lease terms of 5 years.

(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. For fiscal years 2022 and 2021, operating income support amounted to $11,051 and $746, respectively.

During the first five years of the agreement, if 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, was negative, OHSU provided 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 was 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 collectability. Such capital advances do not bear interest and is repayable by Tuality to OHSU from positive operating cash flow generated in future fiscal years under general guidelines specified in the Tuality Agreement. The total note receivable as of June 30, 2022 was $19,591. In light of uncertain operating income in the near term and the likelihood that cash flow available for repayment will be deferred into future years, OHSU recorded a valuation reserve of $19,591 against the note receivable under other noncurrent assets as of June 30, 2021.

(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 2022 and 2021, support payments to/(from) Adventist amounted to $7,662 and ($4,180) per year. For FY20, the net share payment cap was met. In order to optimize healthcare provider coverage and accessibility within the Portland metropolitan area, OHSU also paid $721 and $1,408 for physician

(Dollars in thousands)

(14) Blended Component Units

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

		2022				
		University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:						
Current assets	$	1,106,741	22,672	169,618	(71,886)	1,227,145
Noncurrent assets:						
Capital assets, net of accumulated depreciation		2,168,018	—	13,190	—	2,181,208
Other noncurrent assets		1,462,758	74,709	1,685,245	—	3,222,712
Total noncurrent assets		3,630,776	74,709	1,698,435	—	5,403,920
Total assets		4,737,517	97,381	1,868,053	(71,886)	6,631,065
Deferred outflows		218,704	—	—	—	218,704
Total assets and deferred outflows	$	4,956,221	97,381	1,868,053	(71,886)	6,849,769
Liabilities:						
Current liabilities	$	610,625	1,147	81,872	(71,886)	621,758
Noncurrent liabilities		1,713,813	52,831	33,875	—	1,800,519
Total liabilities		2,324,438	53,978	115,747	(71,886)	2,422,277
Deferred inflows		287,358	—	192,363	—	479,721
Net position:						
Net investment in capital assets		1,204,412	—	1,350	—	1,205,762
Restricted, expendable		87,870	—	630,951	—	718,821
Restricted, nonexpendable		—	—	323,982	—	323,982
Unrestricted		1,052,143	43,403	603,660	—	1,699,206
Total net position		2,344,425	43,403	1,559,943	—	3,947,771
Total liabilities, deferred inflows, and net position	$	4,956,221	97,381	1,868,053	(71,886)	6,849,769

(Dollars in thousands)

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Assets:					
Current assets	$ 1,279,686	7,056	170,339	(60,507)	1,396,574
Noncurrent assets:					
Capital assets, net of accumulated depreciation	2,130,886	—	3,011	—	2,133,897
Other noncurrent assets	1,170,196	87,474	1,636,954	—	2,894,624
Total noncurrent assets	3,301,082	87,474	1,639,965	—	5,028,521
Total assets	4,580,768	94,530	1,810,304	(60,507)	6,425,095
Deferred outflows	234,013	—	—	—	234,013
Total assets and deferred outflows	$ 4,814,781	94,530	1,810,304	(60,507)	6,659,108
Liabilities:					
Current liabilities	$ 636,822	599	74,683	(60,507)	651,597
Noncurrent liabilities	1,679,099	45,816	28,760	—	1,753,675
Total liabilities	2,315,921	46,415	103,443	(60,507)	2,405,272
Deferred inflows	51,226	—	104,542	—	155,768
Net position:					
Net investment in capital assets	1,239,251	—	353	—	1,239,604
Restricted, expendable	98,358	—	703,563	—	801,921
Restricted, nonexpendable	—	—	304,696	—	304,696
Unrestricted	1,110,025	48,115	593,707	—	1,751,847
Total net position	2,447,634	48,115	1,602,319	—	4,098,068
Total liabilities, deferred inflows, and net position	$ 4,814,781	94,530	1,810,304	(60,507)	6,659,108

(Dollars in thousands)

Condensed combining information related to revenues, expenses, and changes in net position for the years ended June 30, 2022 and 2021 is as follows:

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,845,352	—	—	—	2,845,352
Student tuition and fees, net	80,886	—	—	—	80,886
Gifts, grants, and contracts	775,015	—	112,184	(104,910)	782,289
Other revenue	243,132	22,840	1,666	(34,131)	233,507
Total operating revenues	3,944,385	22,840	113,850	(139,041)	3,942,034
Operating expenses:					
Salaries, wages, and benefits	2,439,450	—	15,834	—	2,455,284
Defined-benefit pension	23,008	—	—	—	23,008
Services, supplies, and other	1,338,657	20,401	129,181	(144,963)	1,343,276
Depreciation and amortization	199,450	—	1,161	—	200,611
Interest	45,251	—	—	—	45,251
Total operating expenses	4,045,816	20,401	146,176	(144,963)	4,067,430
Operating income (loss)	(101,431)	2,439	(32,326)	5,922	(125,396)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	(94,685)	(7,151)	(32,428)	—	(134,264)
State appropriations	41,240	—	—	—	41,240
CARES Act grant	33,514	—	—	—	33,514
Other	7,354	—	1,557	—	8,911
Total nonoperating revenues (expenses), net	(12,577)	(7,151)	(30,871)	—	(50,599)
Net income (loss) before other changes in net position	(114,008)	(4,712)	(63,197)	5,922	(175,995)
Other changes in net position:					
Contributions for capital and other	10,799	—	—	(5,922)	4,877
Nonexpendable donations	—	—	20,821	—	20,821
Total other changes in net position	10,799	—	20,821	(5,922)	25,698
Total increase (decrease) in net position	(103,209)	(4,712)	(42,376)	—	(150,297)
Net position – beginning of year	2,447,634	48,115	1,602,319	—	4,098,068
Net position – end of year	$ 2,344,425	43,403	1,559,943	—	3,947,771

OREGON HEALTH & SCIENCE UNIVERSITY
(A Component Unit of the State of Oregon)
Notes to Financial Statements
June 30, 2022 and 2021
(Dollars in thousands)

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Operating revenues:					
Patient service revenue	$ 2,595,048	—	—	—	2,595,048
Student tuition and fees, net	82,770	—	—	—	82,770
Gifts, grants, and contracts	715,430	—	72,576	(84,941)	703,065
Other revenue	225,358	21,279	1,322	(22,617)	225,342
Total operating revenues	3,618,606	21,279	73,898	(107,558)	3,606,225
Operating expenses:					
Salaries, wages, and benefits	2,150,917	—	15,097	—	2,166,014
Defined-benefit pension	113,695	—	—	—	113,695
Services, supplies, and other	1,166,521	19,109	104,260	(112,739)	1,177,151
Depreciation and amortization	193,460	—	1,020	—	194,480
Interest	35,108	—	—	—	35,108
Total operating expenses	3,659,701	19,109	120,377	(112,739)	3,686,448
Operating income (loss)	(41,095)	2,170	(46,479)	5,181	(80,223)
Nonoperating revenues (expenses):					
Investment income and change in fair value of investments	147,280	835	291,733	—	439,848
State appropriations	44,243	—	—	—	44,243
CARES Act grant	72,593	—	—	—	72,593
Other	(72)	—	4,205	—	4,133
Total nonoperating revenues (expenses), net	264,044	835	295,938	—	560,817
Net income (loss) before other changes in net position	222,949	3,005	249,459	5,181	480,594
Other changes in net position:					
Contributions for capital and other	5,964	—	—	(5,181)	783
Nonexpendable donations	—	—	11,349	—	11,349
Total other changes in net position	5,964	—	11,349	(5,181)	12,132
Total increase (decrease) in net position	228,913	3,005	260,808	—	492,726
Net position – beginning of year	2,218,721	45,110	1,341,511	—	3,605,342
Net position – end of year	$ 2,447,634	48,115	1,602,319	—	4,098,068

(Dollars in thousands)

Condensed combining information related to cash flows for the years ended June 30, 2022 and 2021 is as follows:

	2022				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 16,341	11,479	41,681	—	69,501
Net cash provided by noncapital financing activities	93,146	—	7,507	—	100,653
Net cash provided by (used in) capital and related financing activities	93,483	—	(2,158)	—	91,325
Net cash provided by (used in) investing activities	(378,199)	(9,314)	(47,068)	—	(434,581)
Net change in cash and cash equivalents	(175,229)	2,165	(38)	—	(173,102)
Cash and cash equivalents, beginning of year	388,864	3,350	43,360	—	435,574
Cash and cash equivalents, end of year	$ 213,635	5,515	43,322	—	262,472

	2021				
	University	INSCO	OHSU Foundation	Eliminations/ reclassifications	Total combined
Net cash provided by (used in) operating activities	$ 234,319	12,240	(34,868)	—	211,691
Net cash provided by noncapital financing activities	94,439	—	19,390	—	113,829
Net cash provided by (used in) capital and related financing activities	(207,529)	—	(1,336)	—	(208,865)
Net cash provided by (used in) investing activities	(126,731)	(14,005)	36,913	—	(103,823)
Net change in cash and cash equivalents	(5,502)	(1,765)	20,099	—	12,832
Cash and cash equivalents, beginning of year	394,366	5,115	23,261	—	422,742
Cash and cash equivalents, end of year	$ 388,864	3,350	43,360	—	435,574

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]		2022	2021	2020	2019	2018	2017
OHSU's proportion of the net pension (asset) liability (rounded)		2.56 %	2.73 %	2.91 %	3.01 %	3.51 %	3.51 %
OHSU's proportionate share of the net pension (asset) liability	$	305,955	595,311	503,720	456,006	424,000	526,200
Covered payroll		330,673	340,369	330,868	323,343	337,473	326,959
OHSU's proportionate share of the net pension (asset) liability as a percentage of covered payroll		92.52 %	174.90 %	152.24 %	141.03 %	125.64 %	160.94 %
Plan fiduciary net position as a percentage of the total pension liability		87.60 %	75.80 %	80.20 %	82.10 %	83.10 %	80.50 %

[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]		2022	2021	2020	2019	2018	2017
Contractually required contributions	$	53,754	48,333	50,841	37,919	37,087	30,809
Contributions in relation to the contractually required contributions		63,754	58,333	60,841	47,919	47,087	30,809
Contribution excess	$	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)	—
OHSU's covered payroll	$	346,723	330,673	340,369	330,868	323,343	337,473
Contributions as a percentage of covered payroll		18.39 %	17.64 %	17.88 %	14.48 %	14.56 %	9.13 %

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

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2022 with comparative totals for June 30, 2021

(Dollars in thousands)

Assets	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Current assets:							
Cash and cash equivalents	$ 282,345	(63,195)	219,150	43,322	—	262,472	435,574
Short-term Investments	—	21,739	21,739	835	—	22,574	104,421
Current portion of funds held by trustee	28,420	13,885	42,305	—	—	42,305	36,759
Patients accounts receivable, net of bad debt allowances of $1,372 and $2,518 – in 2022 and 2021, respectively	503,535	1,023	504,558	—	—	504,558	459,884
Student receivables	—	24,351	24,351	—	—	24,351	27,025
Grant and contract receivable	—	81,631	81,631	—	—	81,631	62,900
Current portion of pledges and estates receivable	—	—	—	121,490	—	121,490	121,502
Other receivables, net	56,643	80,206	136,849	3,477	(71,317)	69,009	56,437
Inventories, at cost	60,284	3,995	64,279	—	—	64,279	58,290
Prepaid expenses	13,731	20,251	33,982	494	—	34,476	33,782
Total current assets	944,958	183,886	1,128,844	169,618	(71,317)	1,227,145	1,396,574
Noncurrent assets:							
Capital assets, net of accumulated depreciation	1,143,152	1,024,866	2,168,018	13,190	—	2,181,208	2,133,897
Funds held by trustee – less current portion	303,469	—	303,469	—	—	303,469	10,182
Other long-term receivables, net of reserves	—	33,500	33,500	—	—	33,500	33,500
Long-term investments:							
Long-term investments, restricted	—	63,199	63,199	878,007	—	941,206	846,679
Long-term investments, unrestricted	955,915	159,797	1,115,712	628,488	—	1,744,200	1,746,773
Total long-term investments	955,915	222,996	1,178,911	1,506,495	—	2,685,406	2,593,452
Prepaid financing costs, net	919	349	1,268	—	—	1,268	1,484
Pledges and estates receivable – less current portion	—	—	—	174,981	—	174,981	248,218
Restricted postemployment benefit asset	—	10,070	10,070	—	—	10,070	4,328
Other noncurrent assets	5,720	4,529	10,249	3,769	—	14,018	3,460
Interest in the Foundations	—	1,559,943	1,559,943	—	(1,559,943)	—	—
Total noncurrent assets	2,409,175	2,856,253	5,265,428	1,698,435	(1,559,943)	5,403,920	5,028,521
Total assets	3,354,133	3,040,139	6,394,272	1,868,053	(1,631,260)	6,631,065	6,425,095
Deferred outflows:							
Deferred amortization of derivative instruments	2,703	2,140	4,843	—	—	4,843	6,091
Loss on refunding of debt	22,288	7,547	29,835	—	—	29,835	27,794
Pension obligation	—	174,512	174,512	—	—	174,512	189,745
Goodwill	261	—	261	—	—	261	348
Other Postemployment Benefits (OPEB) obligation	—	9,253	9,253	—	—	9,253	10,035
Total deferred outflows	25,252	193,452	218,704	—	—	218,704	234,013
Total assets and deferred outflows	$ 3,379,385	3,233,591	6,612,976	1,868,053	(1,631,260)	6,849,769	6,659,108

(Continued)

OREGON HEALTH & SCIENCE UNIVERSITY

Combining Schedules of Net Position

As of June 30, 2022 with comparative totals for June 30, 2021

(Dollars in thousands)

Liabilities	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Current liabilities:							
Current portion of long-term debt	$ 12,572	11,163	23,735	—	—	23,735	24,082
Current portion of long-term leases	15,072	6,692	21,764	816	—	22,580	16,699
Current portion of self-funded insurance programs liability	—	47,549	47,549	—	—	47,549	40,868
Accounts payable and accrued expenses	113,606	64,440	178,046	9,795	—	187,841	171,755
Accrued salaries, wages, and benefits	30,872	96,519	127,391	—	—	127,391	119,248
Compensated absences payable	47,798	30,337	78,135	—	—	78,135	76,432
Unearned revenue	10,147	82,782	92,929	—	—	92,929	81,831
Unearned/Medicare Advance Payment	37,246	—	37,246	—	—	37,246	118,420
Other current liabilities	3,270	1,139	4,409	71,260	(71,317)	4,352	2,262
Total current liabilities	270,583	340,621	611,204	81,871	(71,317)	621,758	651,597
Noncurrent liabilities:							
Long-term debt – less current portion	995,833	312,256	1,308,089	—	—	1,308,089	945,876
Long-term leases – less current portion	39,768	14,675	54,443	11,024	—	65,467	54,224
Liability for self-funded insurance programs – less current portion	—	55,848	55,848	—	—	55,848	46,639
Liability for life income agreements	—	—	—	20,111	—	20,111	23,492
Pension liability	—	305,955	305,955	—	—	305,955	595,311
Other noncurrent liabilities	7,354	34,954	42,308	2,741	—	45,049	88,133
Total noncurrent liabilities	1,042,955	723,688	1,766,643	33,876	—	1,800,519	1,753,675
Total liabilities	1,313,538	1,064,309	2,377,847	115,747	(71,317)	2,422,277	2,405,272
Deferred inflows:							
Deferred lease revenue	1,155	383	1,538	—	—	1,538	2,202
Gain on refunding of debt	566	490	1,056	—	—	1,056	1,291
Life income agreements	—	—	—	32,759	—	32,759	39,087
Pending funds	—	—	—	159,604	—	159,604	65,455
Pension obligation	—	278,368	278,368	—	—	278,368	46,214
Other Postemployment Benefits (OPEB) obligation	—	6,396	6,396	—	—	6,396	1,519
Total deferred inflows	1,721	285,637	287,358	192,363	—	479,721	155,768
Net position:							
Investments in capital assets	426,763	778,999	1,205,762	—	—	1,205,762	1,239,604
Restricted, expendable	—	718,821	718,821	630,951	(630,951)	718,821	801,921
Restricted, nonexpendable	—	323,982	323,982	323,982	(323,982)	323,982	304,696
Unrestricted	1,637,363	61,843	1,699,206	605,010	(605,010)	1,699,206	1,751,847
Total net position	2,064,126	1,883,645	3,947,771	1,559,943	(1,559,943)	3,947,771	4,098,068
Total liabilities, deferred inflows, and net position	$ 3,379,385	3,233,591	6,612,976	1,868,053	(1,631,260)	6,849,769	6,659,108

See accompanying independent auditors' report.

OREGON HEALTH & SCIENCE UNIVERSITY

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

Years ended June 30, 2022 and 2021

(Dollars in thousands)

	Hospital	Other University	Total University	Foundation	Eliminations/ Reclassifications	2022	2021
Operating revenues:							
Patient service revenue, net of bad debt adjustments of $7,963 and $6,310 - in 2022 and 2021, respectively	$ 2,360,696	484,656	2,845,352	—	—	2,845,352	2,595,048
Student tuition and fees, net	—	80,886	80,886	—	—	80,886	82,770
State appropriations	1,442	39,798	41,240	—	(41,240)	—	—
Gifts, grants, and contracts	37,360	737,655	775,015	112,184	(104,910)	782,289	703,065
Other	193,012	51,220	244,232	1,666	(12,391)	233,507	225,342
Research and education support	(166,000)	166,000	—	—	—	—	—
Total operating revenues	2,426,510	1,560,215	3,986,725	113,850	(158,541)	3,942,034	3,606,225
Operating expenses:							
Salaries, wages, and benefits	1,165,683	1,273,767	2,439,450	15,834	—	2,455,284	2,166,014
Defined-benefit pension	—	23,008	23,008	—	—	23,008	113,695
Services, supplies, and other	1,049,713	287,606	1,337,319	129,181	(123,224)	1,343,276	1,177,151
Depreciation and amortization	110,883	88,567	199,450	1,161	—	200,611	194,480
Interest	31,612	13,639	45,251	—	—	45,251	35,108
Total operating expenses	2,357,891	1,686,587	4,044,478	146,176	(123,224)	4,067,430	3,686,448
Operating income (loss)	68,619	(126,372)	(57,753)	(32,326)	(35,317)	(125,396)	(80,223)
Nonoperating revenues, incl. state appropriations:							
Investment income and gain (loss) in fair value of investments	(93,718)	(8,118)	(101,836)	(32,428)	—	(134,264)	439,848
State appropriations	—	—	—	—	41,240	41,240	44,243
COVID-19 relief grants	24,333	9,181	33,514	—	—	33,514	72,593
Other	7,853	(499)	7,354	1,557	—	8,911	4,133
Total nonoperating revenues (expenses), net	(61,532)	564	(60,968)	(30,871)	41,240	(50,599)	560,817
Net income (loss) before contributions for capital and other	7,087	(125,808)	(118,721)	(63,197)	5,923	(175,995)	480,594
Other changes in net position:							
Contributions for capital and other	12,192	(1,393)	10,799	—	(5,922)	4,877	783
Change in interest in the Foundations	—	(42,375)	(42,375)	—	42,375	—	—
Nonexpendable donations	—	—	—	20,821	—	20,821	11,349
Total other changes in net position	12,192	(43,768)	(31,576)	20,821	36,453	25,698	12,132
Total increase (decrease) in net position	19,279	(169,576)	(150,297)	(42,376)	42,376	(150,297)	492,726
Net position – beginning of year	2,044,847	2,053,221	4,098,068	1,602,319	(1,602,319)	4,098,068	3,605,342
Net position – end of year	$ 2,064,126	1,883,645	3,947,771	1,559,943	(1,559,943)	3,947,771	4,098,068

See accompanying independent auditors' report.

Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022

(Dollars in thousands)

Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Current assets:					
Common stocks: Mutual funds	$	—	10,324	10,324	—
Cash and cash equivalents		21,847	40,176	62,023	38,819
Short-term investments		630	5,431	6,061	3,734
Patient accounts receivable, net		40,488	—	40,488	38,936
Other receivables		5,647	2,228	7,875	18,158
Supplies inventory		4,873	—	4,873	4,903
Prepaid expenses and other		2,096	33	2,129	2,442
Estimated receivables for Medicare and Medicaid settlements		454	—	454	—
Current portion of assets whose use is limited		1,033	—	1,033	1,010
Total current assets		77,068	58,192	135,260	108,002
Assets whose use is limited:					
Board-designated funds		33,041	—	33,041	41,246
Pending trade receivable		1,909	—	1,909	1
Donor-restricted – specific purpose		6,096	—	6,096	6,888
Donor-restricted – endowment		2,855	—	2,855	2,761
Required for current liabilities		(1,033)	—	(1,033)	(1,010)
Total assets whose use is limited		42,868	—	42,868	49,886
Property and equipment:					
Property and equipment, net of accumulated depreciation and amortization		62,212	—	62,212	62,752
Other assets		7,414	—	7,414	8,051
Total assets	$	189,562	58,192	247,754	228,691

Schedule 3

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Balance Sheets

June 30, 2022

(Dollars in thousands)

Liabilities and Net Assets		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Current liabilities:					
Accounts payable	$	11,418	47,377	58,795	44,532
Accrued payroll and employee benefits		14,772	—	14,772	13,476
Due to related party		24,620	1,519	26,139	2,316
Deferred revenue		2,672	—	2,672	13,107
Estimated liabilities for Medicare and Medicaid settlements		—	—	—	423
Long-term debt due within one year		1,090	—	1,090	1,052
Accrued bond interest payable		78	—	78	86
Total current liabilities		54,650	48,896	103,546	74,992
Long-term liabilities:					
Long-term debt, net of amount due within one year		9,959	—	9,959	11,034
Liability for pension benefits		29,680	—	29,680	42,224
Other long-term liabilities		23,872	—	23,872	26,093
Total long-term liabilities		63,511	—	63,511	79,351
Total liabilities		118,161	48,896	167,057	154,343
Net assets:					
Net assets without donor restrictions		62,320	9,296	71,616	64,594
Net assets with donor restrictions		9,081	—	9,081	9,754
Total net assets		71,401	9,296	80,697	74,348
Total liabilities and net assets	$	189,562	58,192	247,754	228,691

See accompanying notes to consolidated financial statements.

Schedule 4

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

June 30, 2022

(Dollars in thousands)

		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Patient service revenue	$	261,998	—	261,998	226,775
Other revenue:					
OHSU support		11,051	—	11,051	746
Other revenue		15,689	205,032	220,721	202,931
Total other revenue		26,740	205,032	231,772	203,677
Total revenue		288,738	205,032	493,770	430,452
Operating expenses:					
Salaries and wages		100,417	—	100,417	91,704
Employee benefits		24,196	—	24,196	23,271
Supplies and other expenses		112,718	204,559	317,277	262,590
Professional fees		43,131	—	43,131	31,947
Depreciation and amortization		7,456	—	7,456	8,291
Interest		707	—	707	718
Total operating expenses		288,625	204,559	493,184	418,521
Income from operations		113	473	586	11,931
Other non-operating income:					
Realized income on investments whose use is limited by board designation		256	—	256	222
Gain on investments in affiliated companies		610	—	610	2,303
(Loss)/gain on disposal of property and equipment		(72)	—	(72)	18
Change in net unrealized (losses) gains on investments		(6,624)	—	(6,624)	6,133
Other operating revenue		—	300	300	(600)
Total other (loss) income		(5,830)	300	(5,530)	8,076
(Deficit)/excess of revenue over expenses		(5,717)	773	(4,944)	20,007
Contributions for property and equipment acquisition		25	—	25	506
Pension-related changes		11,436	—	11,436	20,815
Increase in net assets without donor restrictions	$	5,744	773	6,517	41,328

See accompanying notes to consolidated financial statements.

Schedule 5

OREGON HEALTH & SCIENCE UNIVERSITY

Nongovernmental Discretely Presented Component Units

Consolidated Statements of Operations

For the years ended June 30, 2022

(Dollars in thousands)

		Tuality Healthcare and Subsidiaries	OHSU Health IDS	Combined 2022	Combined 2021
Net assets without donor restrictions:					
(Deficit)/excess of revenue over expenses	$	(5,717)	773	(4,944)	20,007
Contributions for property and equipment acquisition		25	—	25	506
Pension-related changes		11,436	—	11,436	20,815
Increase in net assets without donor restrictions		5,744	773	6,517	41,328
Net assets with donor restrictions:					
Gifts, grants, and bequests		1,781	—	1,781	2,233
Investment (loss) income		(1,068)	—	(1,068)	1,793
Net assets released from restrictions		(1,386)	—	(1,386)	(1,539)
Contributions for endowment funds		—	—	—	2
(Decrease)/increase in net assets with donor restrictions		(673)	—	(673)	2,489
Change in net assets		5,071	773	5,844	43,817
Net assets, beginning of year		66,330	8,523	74,853	30,531
Net assets, end of year	$	71,401	9,296	80,697	74,348

See accompanying notes to consolidated financial statements.