DOERNBECHER CHILDREN'S HOSPITAL FOUNDATION

(A Component Unit of Oregon Health & Science University)

Financial Statements and
Required Supplementary Information

June 30, 2013 and 2012

(With Independent Auditors' Report Thereon)

DOERNBECHER CHILDREN'S HOSPITAL FOUNDATION
(A Component Unit of Oregon Health & Science University)

Management's Discussion and Analysis

June 30, 2013 and 2012

This section of the Doernbecher Children's Hospital Foundation (DCHF or the foundation) financial report presents a discussion and analysis of the foundation's financial performance during the fiscal years ended June 30, 2013 and 2012. This discussion has been prepared and approved by management along with the financial statements and related note disclosures, and should be read in conjunction with – and is qualified in its entirety by – the financial statements and notes. The discussion and analysis focuses on current activities, resulting changes, and current known facts.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements provided in this report. The foundation's basic financial statements include the statement of net position; the statement of revenues, expenses, and changes in net position; the statement of cash flows; and the notes to the financial statements.

- The statement of net position and the statements of revenues, expenses, and changes in net position provide information about the activities of the foundation as a whole and present a longer-term view of the foundation's finances. The statement of net position presents the foundation's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of the success of fund-raising and investment strategies, and the level of program support provided to Oregon Health & Science University (OHSU).
- The statement of revenues, expenses, and changes in net position presents financial results for the foundation by separating operating revenues and operating expenses from nonoperating activities and other changes in net position. Evaluating the amount of operating income or loss can help determine if current contributions are keeping pace with program service spending and the costs of operating the foundation. The section of the report that shows nonoperating activities and other changes in net position quantifies the financial impact of nonexpendable contributions and other activities and transactions that took place during the reporting period. The level of investment income during the reporting period provides an indication of how investment activity is impacting the value of foundation funds held in marketable investments.
- The statement of cash flows presents information related to cash inflows and outflows summarized by operating activities, noncapital financing activities, capital and related financing activities, and investing activities. This statement will help to analyze which foundation activities (operating, noncapital financing, capital, or investing) are producing or utilizing cash in the time periods represented in the financial reports.

The financial statements described above can be found on pages 11 – 13 of this report. The notes to the financial statements can be found on pages 14 – 28.

Financial Highlights

In 2009, DCHF, together with the Oregon Health Science University Foundation (OHSUF), adopted a long-term strategic goal to annually raise $100 million of philanthropic support for OHSU by fiscal year 2014. During fiscal year 2013, DCHF continued to build the foundation needed for increasing the level of funds raised for children's health in support of this goal.

Contributions (including nonexpendable donations and life income agreements) to DCHF in fiscal year 2013 totaled $15.3 million. Contributions for 2013 primarily included new cash gifts of $7.7 million, bequests of $5.9 million, and new pledges of $1.3 million. This level of contributions represented an increase of $5.5 million or 55.6% over 2012 and $1.4 million or 10.4% over 2011. The increase in contributions in 2013, when compared to 2012, was primarily due to an increase in bequest and cash gifts.

Program services provided to OHSU for children's health totaled $11.0 million. This level of support is 62.7% higher than the $6.8 million provided in fiscal year 2012, an increase of $4.2 million. The fiscal year 2013 increase in program support is primarily the result of a $5.8 million commitment from unrestricted funds that was transferred to OHSU for clinical administrative support. This transfer was approximately $2.3 million higher than the commitment for fiscal year 2012. The majority of funds provided to OHSU in fiscal year 2013 were directed toward clinical support and research.

Investment performance for DCHF is primarily composed of the investment results of the endowment fund investment pool (endowment fund). Fiscal year 2013 investment returns resulted in a net gain of $2.1 million. The investment performance of the endowment fund, which is a fully diversified investment portfolio, resulted in a 9.6% net investment return, which exceeded the benchmark return for the portfolio of 9.3%. This performance followed a net investment loss of 2.3% in fiscal year 2012. In fiscal year 2013, the fair value of DCHF's endowment fund increased by $1.5 million or 7.0% and the fair value of the current fund increased by $1.0 million or 4.6%.

Investment gains and other nonoperating activities contributed to an increase of $3.2 million in total net position in fiscal year 2013. As of June 30, 2013, DCHF had total assets of $52.9 million, total liabilities of $4.2 million and net position of $48.7 million.

Assets

DCHF's assets primarily consist of cash and cash equivalents, pledges and estates receivable, and long-term investments. The investments of the foundation are managed and invested by OHSUF. On the statement of net position, assets are classified based on the type of underlying investment as of the date of the statement of net position and considering restrictions on associated assets.

Highlights related to specific asset types include the following:

- Current assets consist of cash and cash equivalents, accrued interest on investments, prepaid expenses, and the current portion of restricted pledges and estates receivable.

  Cash and cash equivalents balances as of June 30, 2013 and 2012, respectively, totaled $0.2 million. Cash and cash equivalents balance at June 30, 2011 was $0.3 million. The decrease of $0.1 million from June 30, 2011 to June 30, 2012 and 2013 is the result of a lower balance in the general checking account due to the fact that more funds were invested in cash and long-term investments in 2012 and 2013.

  Pledges and estates receivable, current portion includes the value of outstanding pledges (less an allowance for uncollectible accounts) and the estimated value of estates of which the foundation is a named beneficiary (less an allowance for uncollectible estates receivable). On June 30, 2013, the foundation had net pledges receivable of $1.0 million and estates receivable of $0.4 million. The current portion of net

pledges and estates receivable is $1.1 million at June 30, 2013. On June 30, 2012, the foundation had net pledges receivable of $0.5 million and estates receivable of $0.8 million. The current portion of net pledges estates receivable was $1.1 million at June 30, 2012. The level of pledges and estates receivable has decreased in 2012 compared with the prior year by $0.4 million, due to payments received on outstanding estates receivable.

- Noncurrent assets consist of restricted cash and long-term investments, the long-term portion of restricted pledges receivable (less discount for present value and an allowance for uncollectible amounts), other receivables and capital assets, net of accumulated depreciation.

  Long-term investments primarily consist of assets managed and invested by the OHSUF, whose investment pools include the current fund and the endowment fund. DCHF is a participant in these pools. DCHF also has some individually managed life income agreements. Long-term and restricted investments totaled $50.4 million as of June 30, 2013, reflecting an increase of $3.1 million over the prior year. During 2013, the DCHF portion of the endowment pool increased by $1.5 million and the DCHF portion of the current fund pool. The increase in the endowment was primarily due to new contributions and investment gains offset by liquidations in the portfolio made to fund spending distributions. The increase in the current fund was due primarily to new gifts. As of June 30, 2012, long-term and restricted investments totaled $47.3 million, reflecting an increase of $1.6 million from 2011, primarily due to new gifts in the current fund.

  Long-term pledges, net of discounts totaled $0.3 million at June 30, 2013 and $0.2 million at June 30, 2012. For further information on pledges receivable, refer to the information provided above and in note 5.

Total assets were $52.9 million, $49.6 million, and $48.8 million as of June 30, 2013, 2012, and 2011, respectively. Assets increased in 2013 when compared to 2012 by $3.3 million, or 6.6%. The increase in total assets is related to new contributions received and investment gains in excess of operating expenses. During 2012, total assets increased by $0.8 million, or 1.76%, when compared to 2011. The increase in total assets is related to new contributions received in excess of operating expenses, and investment losses.

Liabilities

- Current liabilities consist of accounts payable and accrued liabilities, a significant portion of which is due to OHSU. Current liabilities totaled $1.9 million on June 30, 2013, $2.0 million on June 30, 2012, and $1.0 million on June 30, 2011. The decrease of $0.1 million in current liabilities during 2013 is due to a decrease in the level of the year-end accrual for amounts that are due to OHSU for program service transfers. Included in 2011 is a liability related to a claim made against the assets of an estate distribution. In 2012 a full settlement was reached, thus eliminating the liability. The value of this liability totaled $0.3 million in 2011.
- Noncurrent liabilities of $2.3 million, $2.0 million, and $2.0 million at June 30, 2013, 2012, and 2011, respectively, consist of funds held by the foundation that were due to other institutions and the liability for life income agreements. The increase in noncurrent liabilities in 2013 is related to new annuity contributions received during the year. Overall activity during 2012 was consistent with 2011.

Total liabilities are equal to approximately 8.0%, 8.2%, and 6.0% of foundation assets as of June 30, 2013, 2012, and 2011, respectively.

Net Position

Net position is classified as invested in capital assets, restricted, or unrestricted. Restricted net position is classified as nonexpendable or expendable. Nonexpendable net position is required to be retained in perpetuity. Expendable net position may be spent in the future in accordance with specified donor or other externally imposed restrictions.

Highlights of significant changes in net position are provided below:

- Nonexpendable restricted net position totaled $14.5 million, $13.9 million, and $14.0 million as of June 30 in 2013, 2012, and 2011, respectively. The increase of $0.6 million from 2012 to 2013 resulted primarily from investment gains. From 2011 to 2012, nonexpendable restricted net position decreased by $0.1 million primarily from investment losses.
- Expendable restricted net position totaled $21.4 million on June 30, 2013, an increase of $4.0 million from 2012. The increase was related to new gifts and investment gains offset by current year expenses. As of June 30, 2012, expendable restricted net position totaled $17.4 million, a decrease of $0.3 million from 2011. The decrease was related to current year expenses and investment losses offset by new gifts.
- Unrestricted net position totaled $12.7 million on June 30, 2013, a decrease of $1.5 million from 2012. This decrease was a result of providing program support to OHSU for pediatric priorities and providing for supporting service expenses, which together exceeded the value of new unrestricted gifts. As of June 30, 2012 and 2011, respectively, unrestricted net position totaled $14.2 million.
- Overall, as of June 30, 2013, net position totaled $48.7 million, an increase of $3.1 million. The increase is primarily related to an increase in new contributions and investment gains. As of June 30, 2012, net position totaled $45.5 million, a decrease of $0.3 million compared to 2011. The decrease is primarily related to a decrease in new contributions offset with investment losses.

Foundation Summary Schedule of Net Position

		June 30		
		2013	**2012**	**2011**
Noncapital assets	$	52,854,068	49,566,178	48,753,343
Capital assets		7,902	12,421	16,939
Total assets	$	52,861,970	49,578,599	48,770,282
Current liabilities	$	1,888,978	2,031,864	972,041
Noncurrent liabilities		2,316,923	2,027,723	1,969,274
Total liabilities	$	4,205,901	4,059,587	2,941,315
Net position:				
Invested in capital assets	$	7,902	12,421	16,939
Restricted net position		35,923,859	31,325,210	31,621,713
Unrestricted net position		12,724,308	14,181,381	14,190,315
Total net position	$	48,656,069	45,519,012	45,828,967

Operating Revenues

Operating revenues for fiscal year 2013 totaled $15.1 million, compared to $9.9 million in fiscal year 2012, and $13.8 million in fiscal year 2011. Operating revenues for 2013 consisted of $14.9 million of expendable donations and $0.2 million of other income. Donations for 2013 represent an increase of $5.2 million or 53.3% over 2012 primarily due to an increase in bequests.

Other income totaled $161.1 thousand in fiscal year 2013; $130.0 thousand in fiscal year 2012; and $104.3 thousand in fiscal year 2011. Sources of other income consist of funds raised through events and programs sponsored by the Friends of Doernbecher chapters, such as holiday card sales.

Operating Expenses

Program services expense totaled $11.0 million in fiscal year 2013 and $6.8 million in fiscal 2012. The level of program support provided in 2013 was 62.7% higher than 2012, with clinical support ($7.3 million in 2013 and $4.0 million in 2012) and research ($2.3 million in 2013 and $1.7 million in 2012) having the highest levels of funding in both years. The fiscal year 2013 increase in program support is primarily the result of a $5.8 million commitment from unrestricted funds that was transferred to OHSU for clinical administrative support. This transfer was approximately $2.3 million higher than the commitment for fiscal year 2012. Supporting services expense totaled $3.2 million for fiscal year 2013, $2.7 million for fiscal year 2012, and $2.5 million for fiscal year 2011. While there was a 17.4% increase in supporting services expenses in fiscal year 2013, the level of funding was consistent in fiscal year 2012 and 2011. The 2013 increase in supporting services expense primarily resulted from a $0.5 million increase in management fees paid to OHSU Foundation under the shared services agreement.

Total operating expenses for fiscal year 2013 were $14.2 million, compared with $9.5 million in 2012 and $9.2 million in 2011. When compared to the prior year, the increase in the level of operating expenses of $4.7 million in 2013 was primarily related to providing a higher level of program support to OHSU. The increase of $0.3 million in 2012 was related to changes in program support.

In 2013, DCHF operations resulted in income of $0.9 million for fiscal year 2013, compared with an operating income of $0.4 million for fiscal year 2012 and an operating loss of $4.6 million for 2011. The 2013 and 2012 operating income resulted from contributions exceeding program support and supporting services. The 2011 operating loss resulted from program support and supporting services exceeding contributions.

Nonoperating Activities

Investment performance for DCHF funds, net of investment management fees, resulted in a gain of $2.1 million for fiscal year 2013, compared with losses of $0.5 million in 2012 and gains of $3.7 million in 2011, respectively. The fiscal year 2013 activities reflected a 9.6% gain on funds invested in the OHSUF endowment fund, compared to a -2.3% loss in 2012 and a 19.6% gain in 2011. In 2013 and 2012, the fair value of the current fund increased by $1.0 million (4.5%) and $1.4 million (6.7%), respectively. These increases were primarily due to new gifts. In 2013, endowment investment performance exceeded its total asset benchmark by 0.3% and during 2012 exceeded its total asset benchmark by 0.6%.

Nonoperating activities also include the net change in the value of life income agreements. The foundation estimates its obligation to beneficiaries under gift annuity and other charitable remainder agreements, and the annual change in this estimate is recorded as the net change in the value of life income agreements in the accompanying statements of revenues, expenses, and changes in net position. The change in value of life income was an increase of $150 thousand in fiscal year 2013 and an increase of $28.3 thousand and $0.2 million in fiscal years 2012 and 2011, respectively. Other nonoperating activities are primarily composed of the $0.3 million in management fees paid to OHSU Foundation for the management of endowment funds. This fee has remained at this level for the last three years.

Other Changes in Net Position

Other changes in net position consist primarily of nonexpendable donations and life income agreement donations of $0.4 million in 2013, $0.1 million in 2012, and $0.2 million in 2011. The increase in 2013 is primarily as a result of contributions made to establish a new endowment to establish a professorship in Pediatric Oncology. No similar gifts were received in 2012 or 2011.

Change in Net Position

Net position increased by $3.1 million in fiscal year 2013. Operating revenues over operating expenses resulted in an operating income of $0.9 million, and increases related to nonoperating activities of $1.9 million plus nonexpendable donations of $366 thousand resulted in the overall increase of net position. In 2012, net position decreased by $0.3 million primarily as a result of nonoperating losses offset by operating income and nonexpendable donations.

	Years ended June 30		
	2013	**2012**	**2011**
Operating revenues:			
Contributions	$ 14,945,804	9,750,660	13,704,683
Other income	161,161	130,014	104,333
Total operating revenues	15,106,965	9,880,674	13,809,016
Operating expenses:			
Program services	11,026,444	6,777,875	6,618,624
Supporting services	3,216,147	2,739,073	2,544,179
Total operating expenses	14,242,591	9,516,948	9,162,803
Operating income	864,374	363,726	4,646,213
Investment income (loss), net	2,059,017	(457,771)	3,707,667
Other nonoperating activities	(152,523)	(306,332)	(148,900)
Income (loss) before other changes in net position	2,770,868	(400,377)	8,204,980
Nonexpendable donations	366,189	90,422	167,354
Change in net position	3,137,057	(309,955)	8,372,334
Beginning net position	45,519,012	45,828,967	37,456,633
Ending net position	$ 48,656,069	45,519,012	45,828,967

Contribution revenue and supporting services expenditures have been in line with management expectations for the last three fiscal years. The level of expendable and nonexpendable contributions raised totaled $15.3 million, $9.8 million, and $13.9 million in fiscal years 2013, 2012, and 2011, respectively. In all three years, DCHF has received a consistent level of new cash gifts and pledges, with 2013 contributions exceeding both 2012 and 2011 results due to a greater amount of bequest gifts. During the most recent two years, nonexpendable restricted net position has increased from $13.9 million in 2012 to $14.5 million in 2013.

With concurrence from DCHF, OHSUF (which manages DCHF's endowments) is adhering to long-term investment strategies in its management of the endowment fund. While the endowment fund trailed in performance to established benchmarks in fiscal years 2011 due to a decision to allocate a large portion of its U.S. equity investments to investment strategies with a concentration of quality equity investment attributes, changing financial conditions favored this investment strategy in fiscal year 2013 and 2012. This resulted in an investment performance for the OHSUF endowment fund, which exceeded the established performance benchmarks. On a longer-term basis, the endowment fund portfolio performance has been in line with its established benchmarks and peer comparisons.

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Independent Auditors' Report

The Board of Directors
Doernbecher Children's Hospital Foundation:

We have audited the accompanying statements of net position of Doernbecher Children's Hospital Foundation (the Foundation), a component unit of Oregon Health & Science University, as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Doernbecher Children's Hospital Foundation as of June 30, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG LLP is a Delaware limited liability partnership, the U.S. member firm of KPMG International Cooperative ("KPMG International"), a Swiss entity.

Other Matter

Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The management discussion and analysis on pages 1 through 8 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves. In our opinion, the information is fairly stated in all material respects in relation to the financial statements taken as a whole.

KPMG LLP

Portland, Oregon
October 11, 2013

DOERNBECHER CHILDREN'S HOSPITAL FOUNDATION
(A Component Unit of Oregon Health & Science University)

Statements of Net Position

June 30, 2013 and 2012

Assets		2013	2012
Current assets:			
Cash and cash equivalents	$	159,101	161,140
Accrued interest on investments		16,384	26,097
Prepaid expenses		39,592	14,299
Pledges and estates receivable, current portion (net)		1,082,549	1,092,365
Total current assets		1,297,626	1,293,901
Noncurrent assets:			
Restricted assets:			
Cash and long-term investments		36,851,341	32,065,071
Pledges and estates receivable, noncurrent (net)		306,893	195,498
Total restricted assets		37,158,234	32,260,569
Long-term investments		13,554,194	15,271,146
Other receivables		844,014	740,562
Capital assets, net of accumulated depreciation of $24,383 and $31,010, respectively		7,902	12,421
Total noncurrent assets		51,564,344	48,284,698
Total assets	$	52,861,970	49,578,599
Liabilities and Net Position			
Current liabilities:			
Accounts payable and accrued liabilities	$	65,948	158,480
Due to OHSU		1,823,030	1,873,384
Total current liabilities		1,888,978	2,031,864
Noncurrent liabilities:			
Due to other institutions		150,043	136,861
Liability for life income agreements		2,166,880	1,890,862
Total noncurrent liabilities		2,316,923	2,027,723
Total liabilities		4,205,901	4,059,587
Net position:			
Invested in capital assets		7,902	12,421
Restricted for:			
Nonexpendable:			
Academic support		3,719,520	3,582,574
Instruction		6,574,528	6,249,423
Clinical support		2,570,645	2,533,599
Public service		1,113,035	1,068,817
Other		514,297	456,174
Total nonexpendable restricted net position		14,492,025	13,890,587
Expendable:			
Research		3,271,670	2,770,793
Academic support		1,746,049	1,678,310
Instruction		2,682,609	2,462,224
Capital projects and planning		2,900,857	211,797
Clinical support		7,318,883	7,195,548
Institutional support		910,122	665,262
Other		2,601,644	2,450,689
Total expendable restricted net position		21,431,834	17,434,623
Total restricted net position		35,923,859	31,325,210
Unrestricted net position		12,724,308	14,181,381
Total net position		48,656,069	45,519,012
Total liabilities and net position	$	52,861,970	49,578,599

See accompanying notes to financial statements.

DOERNBECHER CHILDREN'S HOSPITAL FOUNDATION
(A Component Unit of Oregon Health & Science University)

Statements of Revenues, Expenses, and Changes in Net Position

Years ended June 30, 2013 and 2012

	2013	2012
Operating revenues:		
Contributions:		
Donations	$ 14,778,378	9,625,543
Annuity and life income agreements	167,426	125,117
Total contributions	14,945,804	9,750,660
Other income:		
Other income	161,161	130,014
Total other income	161,161	130,014
Total operating revenues	15,106,965	9,880,674
Operating expenses:		
Program services:		
Research	2,332,479	1,733,639
Academic support	516,728	257,280
Capital projects and planning	211,698	25,026
Clinical support	7,252,002	4,042,819
Other	713,537	719,111
Total program services	11,026,444	6,777,875
Supporting services:		
Services and supplies	3,211,629	2,734,555
Depreciation	4,518	4,518
Total supporting services	3,216,147	2,739,073
Total operating expenses	14,242,591	9,516,948
Operating income	864,374	363,726
Nonoperating activities:		
Investment income (loss), net of investment fees of $286,234 and $355,470 in 2013 and 2012, respectively	2,059,017	(457,771)
Change in value of life income agreements	150,450	(28,306)
Other nonoperating activities	(302,973)	(278,026)
Total nonoperating activities	1,906,494	(764,103)
Income (loss) before other changes in net position	2,770,868	(400,377)
Other changes in net position:		
Nonexpendable donations	365,666	90,422
Nonexpendable life income agreement donations	523	—
Total other changes in net position	366,189	90,422
Change in net position	3,137,057	(309,955)
Net position, beginning of year	45,519,012	45,828,967
Net position, end of year	$ 48,656,069	45,519,012

See accompanying notes to financial statements.

DOERNBECHER CHILDREN'S HOSPITAL FOUNDATION
(A Component Unit of Oregon Health & Science University)

Statements of Cash Flows

Years ended June 30, 2013 and 2012

		2013	2012
Cash flows from operating activities:			
Donations	$	13,796,210	9,790,084
Life income agreement contributions		404,323	269,167
Other receipts		161,161	130,014
Services and supplies		(3,278,925)	(2,824,209)
Program services		(10,726,415)	(5,150,967)
Net cash provided by operating activities		356,354	2,214,089
Cash flows from noncapital financing activities:			
Annuity payments to beneficiaries		(179,183)	(159,106)
Nonexpendable donations and life income agreements		760,445	(106,907)
Other noncapital financing activities		(302,973)	(278,026)
Net cash provided (used) by noncapital financing activities		278,289	(544,039)
Cash flows from investing activities:			
Purchases of investments		(19,738,019)	(15,642,768)
Proceeds from sales and maturities of investments		18,788,264	13,726,022
Interest and dividend income		364,305	515,045
Investment income (loss) on trusts		235,002	(31,833)
Investment fees		(286,234)	(355,470)
Net cash used by investing activities		(636,682)	(1,789,004)
Net decrease in cash and cash equivalents		(2,039)	(118,954)
Cash and cash equivalents, beginning of year		161,140	280,094
Cash and cash equivalents, end of year	$	159,101	161,140
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$	864,374	363,726
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation		4,518	4,518
Noncash contributions		(528,177)	(53,581)
(Increase) decrease in pledges and estates receivable		(101,579)	707,352
Increase in other receivables		(84,551)	(78,156)
Increase in prepaid expenses		(25,293)	(11,799)
Increase in obligations for life income agreements		369,948	222,206
(Decrease) increase in accounts payable and other liabilities		(142,886)	1,059,823
Net cash provided by operating activities	$	356,354	2,214,089
Schedule of noncash noncapital financing activities:			
Noncash nonexpendable donations and life income agreements		2,382	304,110

See accompanying notes to financial statements.

(1) Organization

Doernbecher Children's Hospital Foundation (DCHF or the foundation) is an Oregon nonprofit corporation established in 1944 promoting an interest in and support for Doernbecher Children's Hospital (DCH), a functional unit of Oregon Health & Science University (OHSU) specializing in healthcare services to children. DCHF is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. The foundation is a blended component unit of OHSU for financial reporting purposes.

Since 1991, DCHF and Oregon Health & Science University Foundation (OHSUF) have worked together to integrate their administration and fund-raising activities. This agreement was modified in July 2001, when DCHF entered into a service agreement with OHSUF, which provides for the consolidation of the staff of both foundations, DCHF and OHSUF, under one employer, which is OHSUF. This agreement delegates the oversight and management of all staff services necessary to operate DCHF's development programs to OHSUF. Under the agreement, OHSUF provides support services to DCHF including program management, gift processing, donor program support, planned giving program support, communications, office services, and accounting and computer support. OHSUF also provides investment management services to DCHF under a separate agreement as discussed in note 7.

(2) Summary of Significant Accounting Policies

The foundation prepares its financial statements in accordance with U.S. generally accepted accounting principles as required for a governmental entity and, therefore, follows the accounting rules as promulgated by the Governmental Accounting Standards Board (GASB).

The foundation reports as a special-purpose government engaged in business type activities whereby revenues and expenses are recognized on the accrual basis. Substantially all revenues and expenses are subject to accrual.

The requirements of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, are effective for financial statements for periods beginning after December 15, 2011. The requirements in this Statement are intended to improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. The foundation adopted this standard for the year ended June 30, 2013. The requirement did not have a material impact on the financial statements.

On July 1, 2012, the foundation adopted GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. Issued in June 2011, this Statement provides guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows and deferred inflows of resources are defined as a consumption of net assets by the foundation that is applicable to a future reporting period and the acquisition of net assets by the foundation that is applicable to a future reporting period. Net position is defined as the residual of all other elements presented in the statements of net position. This Statement had no significant impact on the financial statements as of or for the fiscal year ended June 30, 2013.

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

- *Net position invested in capital assets* carries the depreciated value of capital purchases, net of related debt (if applicable).
- *Nonexpendable restricted net position* carries externally imposed restrictions that never expire.
- *Expendable* restricted net position carries externally imposed restrictions that expire in the future.
- *Unrestricted net position* carries no externally imposed restrictions.

Investment income earned on donor-restricted endowment funds, discussed in notes 2(f) and 4, in excess of the annual spending distribution is accounted for in the expendable restricted net position category.

The foundation first applies restricted resources to an expense where an expense is incurred for a purpose for which both restricted and unrestricted net positions are available.

(a) Operating Revenues

The foundation includes unrestricted and expendable contributions and other income from sales, services, and fund-raising activities in operating revenues. These revenues are key components of the operations of the foundation.

(b) Operating Expenses

The foundation includes program services provided to OHSU, supporting services of operating the foundation, and depreciation on property and equipment in operating expenses.

(c) Operating Income and Changes in Net Position

The statements of revenues, expenses, and changes in net position include operating income. Changes in net position, which are excluded from operating income include net investment income (loss), nonexpendable donations and life income agreements, changes in the value of life income agreements, and other nonoperating activities.

(d) Revenue Recognition

Contributions are voluntary, expendable, nonreciprocal transfers of assets, and may be made in the form of cash, securities, real property, personal property, materials and supplies, equipment, services, and unconditional promises to give those items in the future. Contributions, including estates receivable (substantiated undistributed estates) and promises to give, are recorded as revenue at fair value once all eligibility requirements are met, and are accounted for in the appropriate net position category based upon donor-imposed restrictions. Pledges and estates receivable with nonexpendable donor-imposed restrictions are not recognized in the statements of revenues, expenses, and changes in net position until the contribution is received.

Pledges are generally received within five years of the date of the original commitment. The majority of estates are received within one year. Pledges and estates receivable, less an allowance for

uncollectible amounts, are discounted to their present value using rates that range from 0.30% to 4.88%.

(e) Investments

Investments are stated at fair value. The fair value of all debt and equity securities with a readily determinable fair value is based on quotations obtained from national securities exchanges. Alternative investments, which are not readily marketable and lack publicly available market values, are carried at estimated fair value as provided by the investment managers. The foundation reviews and evaluates the values provided by its investment managers and considers the valuation methods and assumptions used in determining the fair value of the alternative investments to be reasonable. Those estimated fair values may differ significantly from the values that would have been used had a ready market for those securities existed. Other investments, comprised primarily of donated property, are recorded at their fair value at the time of receipt. In accordance with generally accepted accounting principles, real estate that is associated with endowments is valued at fair value. Net appreciation (depreciation) in the fair value of investments, which consists of the realized gains and losses and the unrealized gains and losses on those investments, is shown in the statements of revenues, expenses, and changes in net position as investment income, net of investment fees.

(f) Endowments

The endowment corpus is accounted for in the restricted, nonexpendable net position category, and reported on the statements of net position as restricted long-term investments. The foundation's spending policy for endowment funds is determined by the Board of Directors and is based on a three-year moving average of the fair value of the endowment fund. The Board of Directors authorized a 4.5% distribution in the years ended June 30, 2013 and 2012.

The foundation's management and investment of donor-restricted endowment funds are subject to the provisions of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted by the state of Oregon in January 2008.

(g) Life Income Agreements

The foundation has been named as a remainder beneficiary for various life income agreements including charitable remainder unitrusts, charitable remainder trust annuities, charitable gift annuities, and life estate 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. When the foundation is the trustee for life income agreements, the foundation records the fair value of the assets, the actuarially determined liability, and the difference between the asset and liability as a contribution during the period in which the eligibility requirements are met. Over the term of these life income agreements, any changes in actuarial assumptions and amortization of any discount are recorded in nonoperating activities as a change in the value of life income agreements in the accompanying statements of revenues, expenses, and changes in net position. For those life income agreements where the foundation is not the trustee, the foundation records a contribution in the period in which the donation is received if the foundation is not designated as the remainder beneficiary of the trust. For those life income agreements where the

foundation is not the trustee, but is designated as an irrevocable remainder beneficiary, the foundation records a contribution and a receivable for the fair value of the remainder interest assets discounted to present value during the period in which the trust is established.

(h) Capital Assets, Net

Capital assets are recorded at cost, less accumulated depreciation, which is computed on a three-year or five-year, straight-line basis for computer equipment, and a five-year, seven-year, or ten-year, straight-line basis for other capital assets. Depreciation is calculated using the half-year convention.

(i) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions. These estimates affect reported amounts of assets and liabilities at the date of the financial statements and the reported income and expense during the reporting period. Actual results could differ from those estimates. Significant estimates include allowance rates for uncollectible pledges and estates, discount rates for pledges, estimates used in determining fair value of investments, and actuarial assumptions in the liability for life income agreements.

(3) Cash and Investments

(a) Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash, and money market accounts with original maturities of three months or less at the date of purchase, that are not considered restricted long-term investments. For valuation purposes, cash and cash equivalents have observable inputs. Federal depository insurance provides a limited amount of protection for cash deposits, typically the first $250,000 per account. The foundation does not include in its investment policy any requirement to collateralize deposits that exceed FDIC insured amounts. Cash equivalents including those held in restricted assets were $1.5 million and $2.0 million at June 30, 2013 and 2012, respectively.

(b) Investments

DCHF assets are pooled with OHSUF assets for investment purposes. Through its Investment Committee, the Board of Trustees of OHSUF is responsible for the management of the foundation's investments. A DCHF Director holds one position on the OHSUF Investment Committee. The OHSUF Board establishes investment policies for all funds and selects asset managers for the endowment fund and the current fund. The Vice President of Finance and Administration of OHSUF directs the implementation of Board-designated actions.

(4) Investment Pools

The foundation maintains two primary investment pools. The current funds investment pool (current fund) is the repository for funds available for current operations. At June 30, 2013 and 2012, the fair value of the foundation's investments in the current fund was $23.3 million and $22.3 million, respectively.

The endowment fund investment pool (endowment fund) 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 DCHF Board of Directors. Endowment accounts receive spending distributions subject to the Board of Directors' approved spending policy, which provides a predetermined amount of total return that can be spent for purposes designated by the donor. All interest, dividends, and changes in fair value on donor-restricted endowment funds are allocated to the appropriate restricted net position classification as specified by the donor at the time of receipt. All expendable income restricted by the donor is carried as restricted, expendable net position until such time as the restriction has been met. At June 30, 2013 and 2012, the fair value of the foundation's investments in the endowment fund was $23.6 million and $22.1 million, respectively.

Spending distributions were not made for certain endowment accounts during 2013 because the fair value of the individual endowment accounts dropped below the corpus. Spending distributions on these accounts will be resumed if specifically authorized by the foundation's Board of Directors or at the time that the earnings of the endowment fund are sufficient to restore the corpus and support the annual spending distribution. At June 30, 2013, the fair value of endowment accounts below corpus was $296,091, and the original corpus on these same accounts was $300,000. At June 30, 2012, the fair value of endowment accounts below corpus was $9,592,366, and the original corpus on these same accounts was $9,905,013. The accumulated loss in these cases is reflected in nonexpendable restricted net position.

The foundation also has investments with a fair value of $3.7 million and $3.1 million at June 30, 2013 and 2012, respectively, related to its individually managed life income agreements. These investments are included in various separately managed individual charitable trusts and life estate agreements, in reinsured annuity contracts, or in the charitable gift annuity pool.

Foundation investment policies are established based on the investment objectives of the portfolio. Each portfolio has its own Board-authorized asset allocation guideline. The objective for the current fund is to earn a total return, net of fees and expenses, that exceeds the Merrill Lynch 1-3 Year Treasury index while also providing a reliable source of liquidity to meet short-term working capital needs. The current fund may invest in cash, cash equivalents, and fixed income securities. The duration of the portfolio shall be within a range of 70% to 130% of the Merrill Lynch 1-3 Year Treasury Index. The objective for the endowment fund is to produce a predictable and stable payout stream that increases over time, while achieving growth of corpus. The endowment fund may invest in cash and cash equivalents, fixed income securities, U.S. and non-U.S. equity securities, and other alternative investments. Fixed income securities held in this fund shall have a medium to long average duration (three to eight years). 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 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. Charitable trust investment objectives and asset allocation guidelines are determined based on the individual circumstances of each trust account. Allowable investments for charitable trusts include cash and cash equivalents, U.S. and non-U.S. equities, fixed income, real estate, and commodities.

(a) Fair Value of Investments

Investments at June 30, 2013 and 2012 are as follows:

Asset classes		2013	2012
Domestic equities	$	2,914,572	2,522,266
Non-U.S. equities		6,847,920	6,234,303
Venture capital/private equity		1,680,255	1,856,072
Marketable alternative investments		4,013,875	4,406,886
Real estate investments and contracts		1,511,079	1,497,925
Natural resource funds		2,523,243	1,834,545
Commodity fund		—	564,390
Global tactical asset allocation		882,906	—
Mutual funds – nonfixed income		1,906,092	1,650,210
Fixed income		27,757,449	26,620,797
Annuity contracts		328,550	116,247
Insurance policies		39,594	32,576
	$	50,405,535	47,336,217

Alternative Investments

Alternative investments are defined under U.S. generally accepted accounting principles as those investments without readily determinable fair values. These investment vehicles differ by fund and can be in the form of limited partnerships, limited liability corporations, investment trusts, institutional funds, and offshore investment funds. Alternative investments, as defined above, can be found in a number of different asset classes that are shown in the schedule within note 4(a) above. Alternative investment funds can contain certain types of financial instruments, including, among others, derivatives, futures, forward contracts, options, swaps, and securities sold not yet purchased, intended to hedge against changes in the fair value of investments or enhance potential risk-adjusted returns. The investment styles employed by the underlying managers include, but are not limited to, private equity, venture capital, buyout, absolute return, diversified arbitrage, merger arbitrage, event driven, commodities, real estate, energy, domestic long/short, global long/short, market neutral, and distressed.

These financial instruments involve varying degrees of risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments (both derivatives and nonmarketable investments), and nondisclosure of full portfolio composition. Because some of these investments are not readily marketable, their estimated values are subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Such difference could be material.

Alternative investments can be less liquid than other investments. When liquidity limitations are imposed on these alternative investments, the types of restrictions can include, but are not limited to, lockup provisions whereby the foundation is unable to redeem shares or invested capital of an

investment for a period of time, usually between one and three years after the initial investment for marketable alternative funds and ten to twelve years for private equity and venture capital funds, notice provisions whereby the foundation is required to give notice, ranging from 15 to 90 days, to transact a redemption of an investment after the expiration of any lockup provisions, and the establishment of gates that further limit the timing and amount of a requested fund distribution beyond the specified lockup provisions.

(b) Interest Rate Risk and Credit Risk

As of June 30, 2013, the foundation had the following fixed income investments disclosed by maturity in the current fund, endowment fund, and life income agreement portfolios stated at fair value:

		Maturity				
Investment type	**Credit rating**	**Less than 1 year**	**1 – 5 years**	**6 – 10 years**	**More than 10 years**	**Total**
U.S. government securities		$ 128,597	4,469,677	190,086	143,069	4,931,429
Corporate bonds	AA	—	1,782,181	—	—	1,782,181
	A	493,981	2,897,129	—	—	3,391,110
	BBB	567,209	2,478,506	—	—	3,045,715
Municipal bonds	A-1	113,503	—	—	—	113,503
	AAA	67,946	—	—	—	67,946
	AA	533,543	403,443	—	—	936,986
	A	578,479	225,859	—	—	804,338
Asset-backed securities and collateralized mortgage obligations	AAA	2,357,005	2,929,420	—	—	5,286,425
Mutual funds – fixed income only	AAA	1,672,273	129,484	612,308	16,884	2,430,949
	AA	131,058	13,720	237,037	59,090	440,905
	A	110,365	24,528	300,130	16,943	451,966
	BBB	241,423	42,686	220,365	3,595	508,069
	BB	13,796	8,940	454,288	—	477,024
	B	6,898	10,744	494,873	—	512,515
	Below B	—	4,202	194,284	—	198,486
	Not rated	958	18,864	34,377	2,063	56,262
144A private debt obligations	AA	—	473,202	—	—	473,202
	A	—	901,861	—	—	901,861
	BBB	—	946,577	—	—	946,577
Total		$ 7,017,034	17,761,023	2,737,748	241,644	27,757,449

As of June 30, 2012, the foundation had the following fixed income investments disclosed by maturity in the current fund, endowment fund, and life income agreement portfolios stated at fair value:

		Maturity				
Investment type	**Credit rating**	**Less than 1 year**	**1 – 5 years**	**6 – 10 years**	**More than 10 years**	**Total**
U.S. government securities		$ 497,143	3,835,831	207,612	220,154	4,760,740
U.S. agency securities	AAA	—	312,786	—	—	312,786
International debt securities	AAA	70,502	33,690	27,950	91,147	223,289
	AA	—	57,388	32,838	7,579	97,805
	A	17,016	25,274	46,354	131,816	220,460
	BBB	—	—	40,893	—	40,893
	BB	—	34,901	3,360	—	38,261
	B	—	2,970	—	—	2,970
Corporate bonds	AA	—	1,344,069	—	—	1,344,069
	A	—	2,435,908	—	—	2,435,908
	BBB	149,658	2,773,624	—	—	2,923,282
Municipal bonds	AAA	297,281	—	—	—	297,281
	AA	224,890	386,494	—	—	611,384
	A	347,448	1,120,635	—	—	1,468,083
Asset-backed securities and collateralized mortgage obligations	AAA	638,047	4,902,482	—	—	5,540,529
Mutual funds – fixed income only	AAA	2,365,164	79,265	176,900	165,536	2,786,865
	AA	69,024	79,947	47,938	29,375	226,284
	A	131,940	43,455	45,276	37,941	258,612
	BBB	170,528	35,860	38,035	54,228	298,651
	BB	15,633	7,816	13,255	2,767	39,471
	B	9,302	7,976	14,488	2,386	34,152
	Below B	2,750	2,964	9,483	1,485	16,682
	Not rated	622	9,283	3,332	7,161	20,398
144A private debt obligations	AAA	183,748	202,375	—	—	386,123
	AA	—	579,261	—	—	579,261
	A	229,259	440,527	—	—	669,786
	BBB	288,023	698,749	—	—	986,772
Total		$ 5,707,978	19,453,530	707,714	751,575	26,620,797

Mutual fund credit rating and maturity information is based on the average contractual maturities and ratings of the underlying fixed income securities.

The foundation holds $1.8 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and $3.5 million of collateralized mortgage obligations as of June 30, 2013. The foundation held $1.6 million of asset-backed securities collateralized primarily by auto loans, equipment, and credit card receivables, and $3.9 million of collateralized mortgage obligations as of June 30, 2012. These investments were obtained in part to provide an attractive yield while limiting credit risk and to increase diversification compared to other high quality debt instruments. These securities are carried at fair value. The valuation of these securities is sensitive to principal prepayments, which may result from a decline in interest rates, and they are sensitive to an increase in average maturity, which may result from interest rate increases that lead to decreasing prepayments. These factors may increase the interest rate volatility of the foundation's investment portfolio.

(c) Credit Risk

The current fund investment policy requires the weighted average quality of the portfolio to be AA or higher as rated by one or more of the nationally recognized credit-rating services. Investments shall generally emphasize U.S. Treasuries, Agencies, municipal bonds, and high-quality corporate securities. The below listed securities require initial minimum ratings or better from Moody's or Standard & Poor's as follows:

	Minimum Moody's rating	**Minimum Standard & Poor's rating**
Commercial paper	P-1	A-1
Municipal bonds	A3	A-

At the time of purchase, all credits must be rated at least Baa3 by Moody's or BBB by S&P when purchased. In the event of a split rating, the higher rating will prevail. Credits in the BBB or BAA rating category will have a maximum position of 1% of market value. Total exposure to BBB and/or Baa rated issues will not exceed 20%. A 5% maximum allocation to high yield bonds is allowed.

The endowment fund requires a weighted average credit rating of each fixed income portfolio (within the fund) of A or higher. Issues of state or municipal agencies are prohibited, except under unusual circumstances. The endowment fund may hold up to a maximum of 10% of the fixed income portion of the fund in below-investment-grade (but rated B or higher by Moody's or Standard & Poor's) fixed income securities.

If the credit quality of a holding in the current or endowment 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.

The charitable trust investments generally have a minimum credit quality rating in investment-grade Baa/BBB bond investments and a minimum rating of A-1/P-1 for investments in commercial paper. However, an individual trust may hold up to 9% of the portfolio in below-investment-grade investments.

(d) Concentration of Credit Risk

The foundation's polices relating to the endowment fund and 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 foundation's investment policy for charitable trusts limits investments in any one issue to a maximum of 10%, except for issues of the U.S. government and its agencies or diversified mutual funds. The current fund investment policy places no limit on the amount that may be invested in any one issuer, except that a maximum of 3% may be invested in the securities of any nongovernmental issuer. As of June 30, 2013 and 2012, the foundation held no individual investments or investments with an issuer

that have balances above 5% of its total invested assets or over 3% for nongovernmental issuers in the current fund.

(e) Foreign Currency Risk

The foundation's investment policies permit investments in international equity and other asset classes, which can include foreign currency exposure. The endowment fund allows up to 35% of the portfolio to be invested in international equities and up to 40% of the fixed income portion of the fund to be invested in non-U.S. dollar-denominated bonds. The current fund allows up to 10% 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 at June 30:

Foreign currency		Value (U.S. dollar) 2013	2012
Australian dollar	$	63,515	3,585
Brazilian real		—	24,957
British pound sterling		229,589	316,223
Canadian dollar		82,984	—
Chilean peso		—	28,567
Euro		166,257	169,399
Hungarian forint		—	31,173
South Korean won		—	34,442
Malaysian ringgit		—	34,093
Mexican peso		—	76,964
New Zealand dollar		—	3,389
Poland zloty		—	44,798
South African rand		—	30,164
Swiss franc		93,145	79,271
Turkish lira		—	33,371
Total	$	635,490	910,396

(f) Commitments

As of June 30, 2013 and 2012, OHSUF, on behalf of DCHF, had total accumulated commitments to nonmarketable private alternative investments of $4.6 million and $4.7 million, respectively. As of June 30, 2013 and 2012, OHSUF, on behalf of DCHF, had funded $3.7 million and $3.6 million, respectively, of the total amount committed to these investments. These investments are structured as limited partnerships and include investments in U.S. and non-U.S. private equity, venture capital, natural resources, distressed securities, real estate, and energy.

(5) Restricted Pledges and Estates Receivable

The foundation had the following restricted pledges and estates receivable as of June 30, 2013 and 2012:

		2013	2012
Pledges maturing within 1 year	$	718,123	370,144
Pledges maturing within 2 – 8 years		386,348	273,766
		1,104,471	643,910
Less allowance for uncollectible pledges		(100,463)	(53,914)
		1,004,008	589,996
Less discount for net present value (rates of 0.30% to 4.88%)		(50,806)	(61,368)
Total net pledges receivable		953,202	528,628
Estates receivable		459,200	799,195
Less allowance for uncollectible estates receivable		(22,960)	(39,960)
Total net estates receivable		436,240	759,235
Total restricted pledges and estates receivable, net	$	1,389,442	1,287,863

(6) Commitments

The foundation shares office space on Salmon Street with OHSUF under OHSUF's lease, which expires as of the close of business on July 31, 2016. The foundation pays for approximately 17.5% of the lease obligation. The obligation under the OHSUF lease requires payment of approximately $586,000 during the year ending June 30, 2014, of which approximately $103,000 is the responsibility of the foundation.

The foundation had net leasing cost of approximately $71,501 and $71,629 during the years ended June 30, 2013 and 2012, respectively.

(7) Related-Party Transactions

The foundation has entered into a service agreement with OHSUF. Under the terms of the agreement, OHSUF provides management and staff resources and other support services to DCHF in the areas of program management, gift processing, donor program support, planned giving program support, communications, office services, accounting, and computer support. DCHF has recorded approximately $1,191,356 and $733,392 related to this service agreement in services and supplies in the accompanying statements of revenues, expenses, and changes in net position for the years ended June 30, 2013 and 2012, respectively.

Payments to OHSUF of supporting services expenses was determined under a service agreement and is calculated to equalize cost sharing between OHSUF and DCHF based upon the value of contributions received by each organization. All employee-related costs are recorded on the financial statements of OHSUF. DCHF's allocation of these costs is captured in the payments to OHSUF in the service agreement discussed above and in contracted services included in services and supplies.

OHSUF provides investment management services and administration services to the foundation for its current funds. OHSUF retains 100% of the net earnings or losses on these funds. The current fund had net earnings of 1.2% for the year ended June 30, 2013 and 1.3% for the year ended June 30, 2012. The foundation retains ownership of these funds.

OHSUF provides investment management and administration services to the foundation for its endowment funds. OHSUF's fee is currently 1.6% of the three-year moving average of the market value of the fund. The foundation retains ownership of these funds. The foundation has recorded payments to OHSUF of $350,973 and $317,421 related to the investment management and administration services of its endowment funds for the years ended June 30, 2013 and 2012, respectively. The payments are recorded as other nonoperating activities on the statements of revenues, expenses, and changes in net position and as other noncapital financing activities on the statements of cash flows.

(8) Capital Assets

The following is a summary of capital assets for the fiscal years ended June 30, 2013 and 2012:

	June 30, 2012 Balance	Increases	Decreases	June 30, 2013 Balance
Capital assets:				
Computer equipment	$ 21,589	—	(11,145)	10,444
Office equipment	21,842	—	(1)	21,841
Total capital assets	43,431	—	(11,146)	32,285
Less accumulated depreciation:				
Computer equipment	(17,068)	(2,261)	11,145	(8,184)
Office equipment	(13,942)	(2,257)	—	(16,199)
Total accumulated depreciation	(31,010)	(4,518)	11,145	(24,383)
Total capital assets, net	$ 12,421	(4,518)	(1)	7,902

	June 30, 2011 Balance	Increases	Decreases	June 30, 2012 Balance
Capital assets:				
Computer equipment	$ 24,017	—	(2,428)	21,589
Office equipment	21,842	—	—	21,842
Total capital assets	45,859	—	(2,428)	43,431
Less accumulated depreciation:				
Computer equipment	(17,235)	(2,261)	2,428	(17,068)
Office equipment	(11,685)	(2,257)	—	(13,942)
Total accumulated depreciation	(28,920)	(4,518)	2,428	(31,010)
Total capital assets, net	$ 16,939	(4,518)	—	12,421

The foundation has recorded depreciation expense of $4,518 for each of the years ended June 30, 2013 and 2012, respectively, which is included in supporting services in the accompanying statements of revenues, expenses, and changes in net position.

(9) Life Income Funds

Life income contributions for the years ended June 30, 2013 and 2012 are as follows at the date of donation:

	2013			2012		
	Agreements	Asset	Liability	Agreements	Asset	Liability
Charitable remainder unitrusts	3	$ 93,829	4,735	2	$ 82,323	2,225
Charitable gift annuities	4	444,489	365,634	2	265,000	219,981
	7	$ 538,318	370,369	4	$ 347,323	222,206

Total life income instruments held at June 30, 2013 and 2012 are as follows:

	2013			2012		
	Agreements	Asset	Liability	Agreements	Asset	Liability
Charitable remainder unitrusts	15	$ 2,593,650	1,115,777	14	$ 2,415,540	1,096,871
Charitable remainder trusts annuities	2	367,134	202,907	2	355,093	209,659
Charitable gift annuities	21	1,110,163	712,371	17	691,697	435,001
Life estate agreements	2	236,670	135,825	3	263,646	149,331
Totals	40	$ 4,307,617	2,166,880	36	$ 3,725,976	1,890,862

Three charitable gift annuities, included above, with a total gift value of $0.5 million, have been reinsured with insurance carriers in order to reduce liability exposure. Under the reinsurance contracts, the insurance carrier pays the future beneficiary payments. To the extent the insurance carriers are unable to perform under the contract, the foundation would be responsible for payment.

Changes in DCHF's liability for life income agreements during the fiscal years ended June 30, 2013 and 2012 are summarized below:

	June 30, 2012 Balance	Increases	Decreases	June 30, 2013 Balance
Charitable remainder unitrusts	$ 1,096,871	204,910	(186,004)	1,115,777
Charitable remainder trust annuities	209,659	36,041	(42,793)	202,907
Charitable gift annuities	435,001	391,565	(114,195)	712,371
Life estate agreements	149,331	—	(13,506)	135,825
Totals	$ 1,890,862	632,516	(356,498)	2,166,880

	June 30, 2011 Balance	Increases	Decreases	June 30, 2012 Balance
Charitable remainder unitrusts	$ 1,198,295	45,265	(146,689)	1,096,871
Charitable remainder trust annuities	216,543	17,116	(24,000)	209,659
Charitable gift annuities	263,296	234,290	(62,585)	435,001
Life estate agreements	153,156	—	(3,825)	149,331
Totals	$ 1,831,290	296,671	(237,099)	1,890,862

Increases or decreases may result from actuarial adjustments, distributions to beneficiaries, new gifts, termination of an agreement, and investment income or loss.

(10) Unrestricted Net Position

Designations for unrestricted and Board-designated net position for the years ended June 30, 2013 and 2012 are as follows:

	2013	2012
Funds for current operations	$ 8,324,791	9,317,797
Designated for specific purposes	714,494	1,482,763
Designated for endowment	3,685,023	3,380,821
Total unrestricted net position	$ 12,724,308	14,181,381

(11) Supporting Services

Supporting services, which included administrative and fund-raising expenses, totaled approximately $3.2 million and $2.7 million for the years ended June 30, 2013 and 2012, respectively. The total for June 30, 2013 included $2.2 million in fund-raising expenses and $1.0 million in administrative service expenses. The total for June 30, 2012 included $2.1 million in fund-raising expenses and $0.6 million in administrative service expenses. The foundation's cost of insuring for risks in the areas of general liability, employee medical, directors and officers, and internet coverage is included in supporting services, and is covered by third-party insurance. There was no change in the level of the OHSUF's insurance coverage during the fiscal years ended June 30, 2013 and 2012.