



OHSU Public Finance & Audit Committee Meeting

**September 25, 2025
9:00-11:00am**

YouTube: <https://youtube.com/live/PFB-rbdu8-Q?feature=share>

DIAL in only

+1-503-388-9555 Portland Oregon Toll

Access code: 286 306 93345



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Agenda

1. FY25 Unaudited Financial Results
2. Finance & Audit Committee Acceptance of External Audit



September 18, 2024

To: Members, OHSU Finance & Audit Committee

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: Materials for September 25th Meeting

Enclosed are materials for next Thursday's public meeting of the Finance & Audit Committee (FAC), to be held by WebEx at 9 am PT. The main agenda item is discussion of unaudited FY25 financial results. The Committee will also discuss a proposed change to its charter, allowing FAC to accept the annual external audit on behalf of the Board. KPMG will report on their external audit of year-end financial statements at the Committee's October public meeting.

FY25 Results

The FY25 operating loss is \$(133)m or -2.4% of \$5.5 million in revenue, \$(108)m greater than the budgeted deficit of \$(25)m. At the June Board meeting, we estimated a loss of \$(114)m based on May YTD. Although revenues ended \$19m above this estimate, they were more than offset by \$39m in higher expenses. Compared to FY24, revenues grew 9.4% or \$473m but expenses grew by 9.3% or \$479m, resulting in nearly the same loss. OHSU-held cash & investments fell \$250m due to the operating loss plus construction on Vista Pavilion after debt issued for the project was fully applied.

Pre-Pandemic to Today

To provide a longer context, total OHSU operating income fell from a \$176m gain in FY19—the last pre-pandemic year—to a \$(133)m loss in FY25. Four items had especially large changes over this period: non-hospital pharmacy services, IGT funding, partner hospital support, and HB3320 financial assistance to lower income patients. Putting aside these items, the “core” or underlying OHSU loss increased by nine times over six years, from a relatively modest deficit of \$(86)m in FY19 to a large loss of \$(808)m last year.

The driver of this rapidly widening gap was core revenue growth of 6% per year lagging the increase in core salary & benefit costs at 10% per year. The number of employees grew by 4% per year and salaries & benefits per FTE at 6% per year. The year over year increase in FTEs flattened by Q4 of FY25, but the growth in compensation costs per employee did not.

Given these longer-term trends, financial Imperatives going forward are:

- Keeping FTE growth below 2% year over year
- Increasing productivity to continue to meet our missions with lower FTE growth
- Controlling the increase in salaries & benefits per FTE
- Investing in and achieving strategic growth in profitable services
- Securing better payment rates from commercial insurance for our unique and complex care.

Finance & Audit Committee Charter

Prior to this past year, the Finance & Audit Committee did not have public meetings and did not vote on anything. It was advisory only. As a result, the external auditors (KPMG) provided their annual audit report to the Committee in October but then repeated that report to the full Board a week later. Because of this, we had to have back-to-back full Board meetings, one in September and one in October.

Now with public FAC meetings, the Committee can vote on actions that are delegated to it in its charter. The enclosed updated charter allows the FAC to vote to accept the external audit directly in its public October meeting, eliminating the need for the second full Board meeting. This proposed change, which we have reviewed with KPMG, aligns with common practice at other organizations. On September 17th, the Governance Committee reviewed the charter changes and we have incorporated their comments.



FY25 Financial Results in Context

OHSU Finance & Audit Committee / September 25, 2025

Unaudited FY25 Operating Loss = \$(133)M

- The unaudited FY25 operating loss is \$(133)m or -2.4% of \$5.5 million in revenue, \$(108)m greater than the budgeted deficit of \$(25)m.
- KPMG will report on their external audit of FY25 financial statements at the October public meeting of the Finance & Audit Committee.
- At the June Board meeting, we estimated a loss of \$(114)m based on May YTD (third column below). Although revenues ended \$19m above this estimate, they were more than offset by \$39m in higher expenses.
- Compared to FY24, revenues grew 9.4% or \$473m but expenses grew by 9.3% or \$479m, resulting in nearly the same deficit.

OHSU Operating Income (millions)	FY24 Adjusted*	FY25 Budget	May YTD x 12/11	FY25 Actual	Actual - Budget	Actual / Prior Year
Operating revenues	\$5,035	\$5,462	\$5,489	\$5,508	\$46	9.4%
Operating expenses	5,163	5,487	5,602	5,642	155	9.3%
Operating income (loss)	\$(128)	\$(25)	\$(114)	\$(133)	\$(108)	4.4%
% operating margin	-2.5%	-0.5%	-2.1%	-2.4%		
*FY24 adjusted for implementation of GASB 100 & 101 recording expense for all paid leave.						

FY25 Loss \$(108)M Greater than Budget

- Healthcare + School of Medicine ended the year \$(158)m off budget.
- A positive budget variance in non-hospital pharmacy services was more than offset by:
 - Impact of HB3320's greater financial assistance to lower income patients
 - Greater operating support to Adventist (AHP) and Hillsboro (HMC)
 - Failure of “core” (or all other) revenues to grow as much, and expenses to be reduced as much, as targeted in the FY25 plan.
- Offsetting part of the HC+SoM negative variance were:
 - Spending below budget in Provost, CFO and other central areas (+\$12m)
 - Slower ramp up of spending in strategic initiatives (+19m)
 - RIF-related costs budgeted in FY25 Q1 but booked in June of FY24 (+18m).

FY25 Variance from Budget by Major Area

FY25 Jun YTD Budget Variance	(millions)
Healthcare	\$(100.0)
School of Medicine	(57.9)
Subtotal - HC + SoM	(157.9)
Chief Research Officer Areas	(0.5)
Provost Areas	5.3
Chief Financial Officer Areas	5.8
Other Central Administration	1.2
Subtotal - Other Operating Areas	11.8
Strategic initiatives	18.7
Other institutional & restricted funds	0.9
Budgeted RIF costs booked in FY24	18.1
Total Variance from Budget	\$(108.5)

Revenue \$46M & Expense \$155M Above Budget

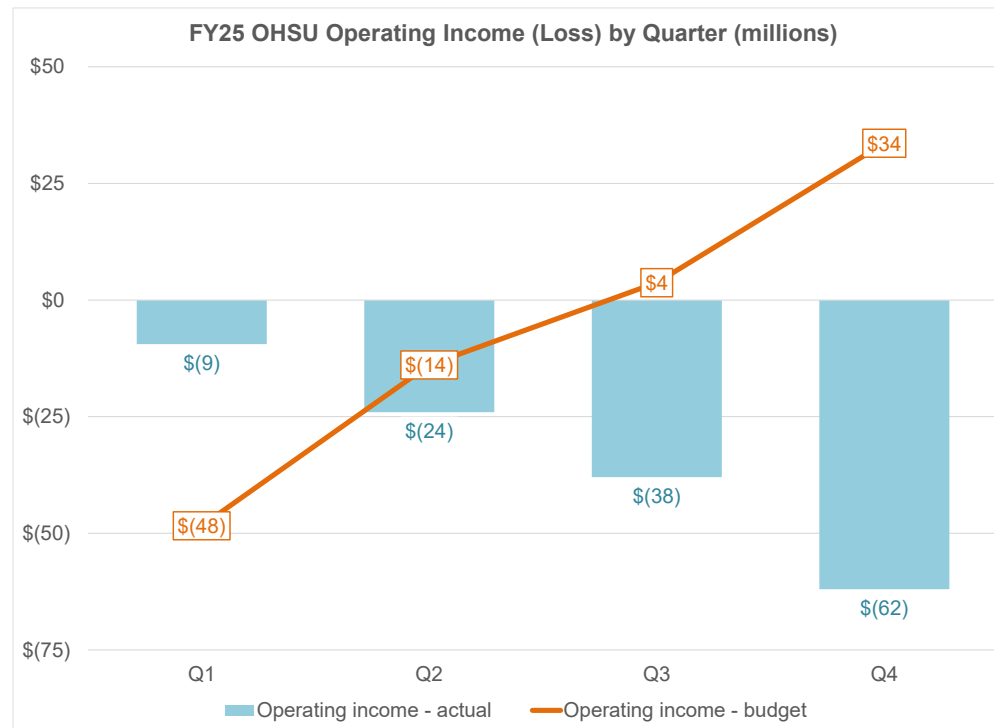
June YTD - 12 Months (millions)	Last Year Adjusted*	FY25 Budget	FY25 Jun Actual	Actual - Budget	Actual / Last Year
Net patient revenue	\$3,449	\$3,802	\$3,785	\$(17)	9.8%
Medical contracts	185	208	196	(12)	6.0%
Healthcare other revenue	256	213	282	69	10.3%
Subtotal - clinical	3,889	4,223	4,263	40	9.6%
Grants & contracts	580	591	578	(13)	-0.2%
Gifts applied	121	130	139	8	14.5%
Tuition & fees	81	84	84	(0)	3.3%
Non-healthcare other revenue	71	53	64	11	-10.3%
Subtotal - academic & other	853	859	865	6	1.4%
Subtotal - State support	293	380	380	0	29.8%
Total operating revenues	5,035	5,462	5,508	46	9.4%
Salaries & benefits	3,203	3,408	3,440	31	7.4%
Rx & medical supplies	998	1,079	1,183	104	18.6%
Other services & supplies	708	730	757	27	6.9%
Depreciation & interest	255	270	263	(7)	3.0%
Total operating expenses	5,163	5,487	5,642	155	9.3%
Operating income	(128)	(25)	(133)	(108)	4.4%
<i>*FY24 adjusted for implementation of GASB 100 & 101 recording expense for all paid leave.</i>					

Broad-Based Activity Growth → 9% Revenue Gain

Patient Activity	FY24	FY25	FY25	Actual /	Actual /
June YTD - 12 Months	Last Year	Budget	Actual	Budget	Last Year
Inpatient admissions	27,713	27,404	29,150	6.4%	5.2%
Average length of stay	7.03	7.00	6.82	-2.6%	-3.0%
Average daily census	493.2	492.0	502.4	2.1%	1.9%
Day / observation patients	48,538	49,994	51,612	3.2%	6.3%
Surgical cases	37,150	38,291	38,673	1.0%	4.1%
Emergency visits	56,441	54,715	59,411	8.6%	5.3%
Ambulatory visits	1,210,547	1,210,531	1,260,117	4.1%	4.1%
Casemix index (CMI)	2.51	2.50	2.58	3.2%	2.8%
Outpatient share of activity	58.3%	58.7%	59.6%	1.5%	2.2%
CMI/OP adjusted admissions	166,861	166,072	186,029	12.0%	11.5%
Rate-adjusted gross charges	7,971	8,549	8,993	5.2%	12.8%

FY25 Operating Results by Quarter

- The budget targeted an operating loss in Q1 improving to a gain by Q4 (orange line), reflecting progressive allocation of adult beds toward cancer and other complex care plus planned implementation of additional cost reductions as the year progressed.
- Instead, operating losses increased by quarter (aqua bars). Several factors contributed to this contra-budget trend, with gaps in core HC+SoM areas being most impactful.
- Core clinical revenues did increase but not as much as targeted. Core expenses were to stay flat, with upward pressures from volume, contracted step increases, and inflation offset by rolling out additional savings. This was not sustained in Q3 and Q4.



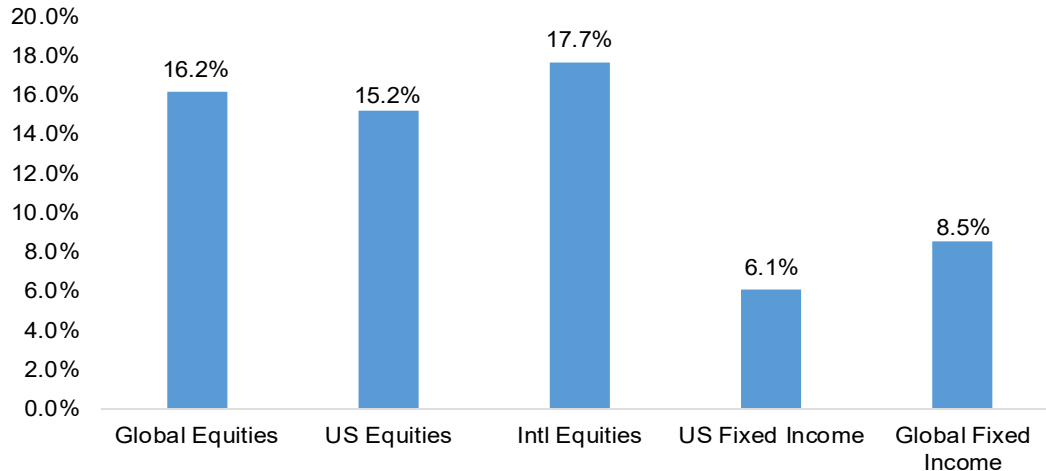
Cash Falls \$250M with Vista Pavilion Construction

Balance Sheet			12-Month
(millions)	6/30/24	6/30/25	Change
OHSU-held cash & investments	\$1,460	\$1,210	\$(250)
OHEP construction fund	111	0	(111)
Net property, plant & equipment	2,414	2,627	212
Interest in OHSU Foundation	1,546	1,576	30
Long-term debt	(1,336)	(1,313)	24
PERS pension liability	(513)	(574)	(62)
Working capital & other, net	341	556	214
Consolidated net worth	\$4,023	\$4,081	\$58
Operating income (loss)			(133)
OHSU investment return			160
Grant & gift funded capital			2
Foundation gain (loss)			30
Release of surplus note reserve			17
Pension & other non-operating items			(17)
YTD change in net worth			\$58

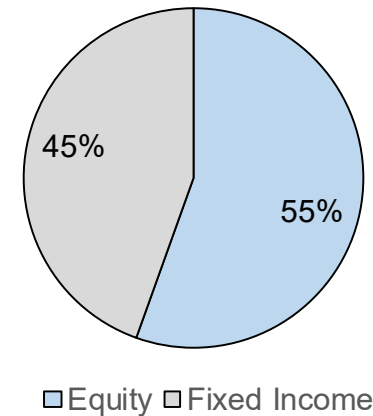
FY25 June YTD Cash Flow	(millions)
Operating income	\$(133)
Depreciation	219
Investment return	160
Construction funds applied	111
Grant & gift funded capital	2
Sources of cash	358
Debt & capital leases repaid, net	(24)
Capital spending	(431)
QDP approval delay	(95)
Third-party settlements & other, net	(58)
Uses of cash	(608)
Net cash flow	\$(250)
<i>6/30/24 Days cash on hand</i>	<i>170</i>
<i>6/30/25 Days cash on hand</i>	<i>136</i>
<i>Fitch Ratings AA median</i>	<i>280</i>
<i>Fitch Ratings A median</i>	<i>212</i>
<i>(August 5, 2025)</i>	

FY25 June YTD Investment Returns Up 10.0%

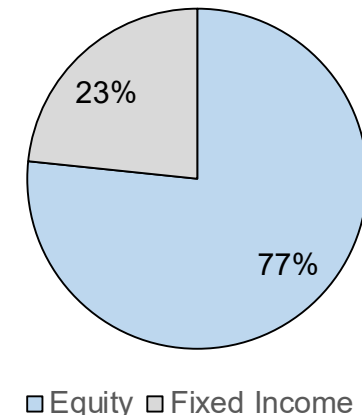
Major Index Returns (YTD)



Asset Allocation – OHSU-Held Funds



Asset Allocation – Foundation-Held Funds



Asset Pool	6/30/2024 Balance	6/30/2025 Balance	YTD Avg Balance	FY25 YTD TR (%)	Benchmark YTD TR (%)
OHSU-Held Funds					
Short-Term Asset Pools	442,811	266,535	354,673	5.4%	5.4%
Long-Term Asset Pools	1,150,444	974,474	1,062,459	12.3%	12.8%
Other Asset Pools	113,890	124,212	119,051	13.3%	13.3%
Total OHSU Assets	\$1,707,146	\$1,365,221	\$1,536,183	10.6%	10.9%
Foundation-Held Funds*					
Non-Endowment Asset Pools	186,551	250,707	218,629	7.7%	7.4%
Endowment Assets	1,449,688	1,427,164	1,438,426	9.6%	14.0%
Total Foundation Assets	\$1,636,239	\$1,677,871	\$1,657,055	9.4%	13.2%
Total OHSU Investable Assets	\$3,343,385	\$3,043,092	\$3,193,238	10.0%	12.1%

* Foundation preliminary actual and benchmark return calculated by OHSUF staff, with NAV sourced from investment managers.



Context: Pre-Pandemic to Today

- FY19 was the last pre-pandemic year, when OHSU reached its highest earnings level.
- Total OHSU operating income fell from a \$176m gain in FY19 to a \$(133)m loss in FY25 (purple line).

Total & Core Earnings (millions)	FY19	FY25	6-Year CAGR
OHSU operating gain (loss)	\$176	\$(133)	
Non-hospital Rx direct margin	160	480	20.1%
Total QDP-IGT funding	116	310	17.8%
HMC/AHP operating support	(13)	(49)	24.5%
HB3320 patient assistance impact		(66)	
Core OHSU operating gain (loss)	\$(86)	\$(808)	

- Three line-items, two positive and one negative, increased at double-digit annual rates:
 - Non-hospital Rx margin increased from \$160m to \$480m or 20% per year.
 - IGT funding increased from \$116m to \$310m or 18% per year.
 - Operating support for Hillsboro and Adventist increased from \$(13)m to \$(49)m or 24% per year.

“Core” Operating Loss from FY19 to FY25

- Putting aside these three items and the new \$(66)m cost of HB3320 financial assistance for patients, the “core” OHSU loss increased by 9 times over 6 years, from a relatively modest deficit of \$(86)m in FY19 to a large loss of \$(808)m in FY25 (red line).
- This is an increase in the core deficit of \$(120)m per year on average.
- The driver of this rapidly widening gap was core revenue growth of 6.4% per year (blue line) vs core salary & benefit costs growing at 10.5% per year (green line).
- The number of employees grew by 4.2% per year and salaries & benefits per FTE at 6.1% per year.

Core OHSU Earnings (millions)	FY19	FY25	6-Year CAGR
Operating revenues	\$2,772	\$4,017	6.4%
Salaries & benefits	1,847	3,359	10.5%
Services & supplies	794	1,204	7.2%
Depreciation & interest	218	263	3.2%
Total expenses	2,859	4,826	9.1%
Core OHSU operating gain (loss)	\$(86)	\$(808)	45.2%

“Core” Operating Loss from FY24 to FY25

- Between FY24 and FY25, the direct margin from non-hospital pharmacy services increased by 40% or \$137m, while IGT funding grew by 41% or \$90m.
- Outside of non-hospital Rx, IGT funding, AHP/HMC support, HB3320 impact, and FY24 one-time items, OHSU’s “core” revenues increased 6.2% or \$235m, but “core” expenses grew by 7.9% or \$353m, for an increase in core operating loss of \$(118)m.

Major Components of FY24 & FY25	FY24	FY25	Percent	Dollar
Operating Income (millions)	Actual	Preliminary	Change	Change
Core operating revenues	\$3,783	\$4,017	6.2%	\$235
Core operating expenses	4,473	4,826	7.9%	353
Core operating income	(690)	(808)	17.1%	(118)
Non-hospital Rx revenue	989	1,247	26.1%	
Non-hospital Rx direct expense	647	768	18.7%	
Non-hospital Rx direct margin	342	480	40.1%	137
IGT funding	220	310	40.8%	90
AHP/HMC operating loss support	(26)	(49)	89.0%	(23)
HB3320 financial aid impact		(66)		
One-time 340b recovery	44			
One-time RIF related costs	(18)			(92)
Total operating revenues	5,035	5,508	9.4%	
Total operating expenses	5,163	5,642	9.3%	
Total operating income*	\$(128)	\$(133)	4.4%	\$(6)
*FY24 operating income adjusted for implementation of GASB 100 and 101.				

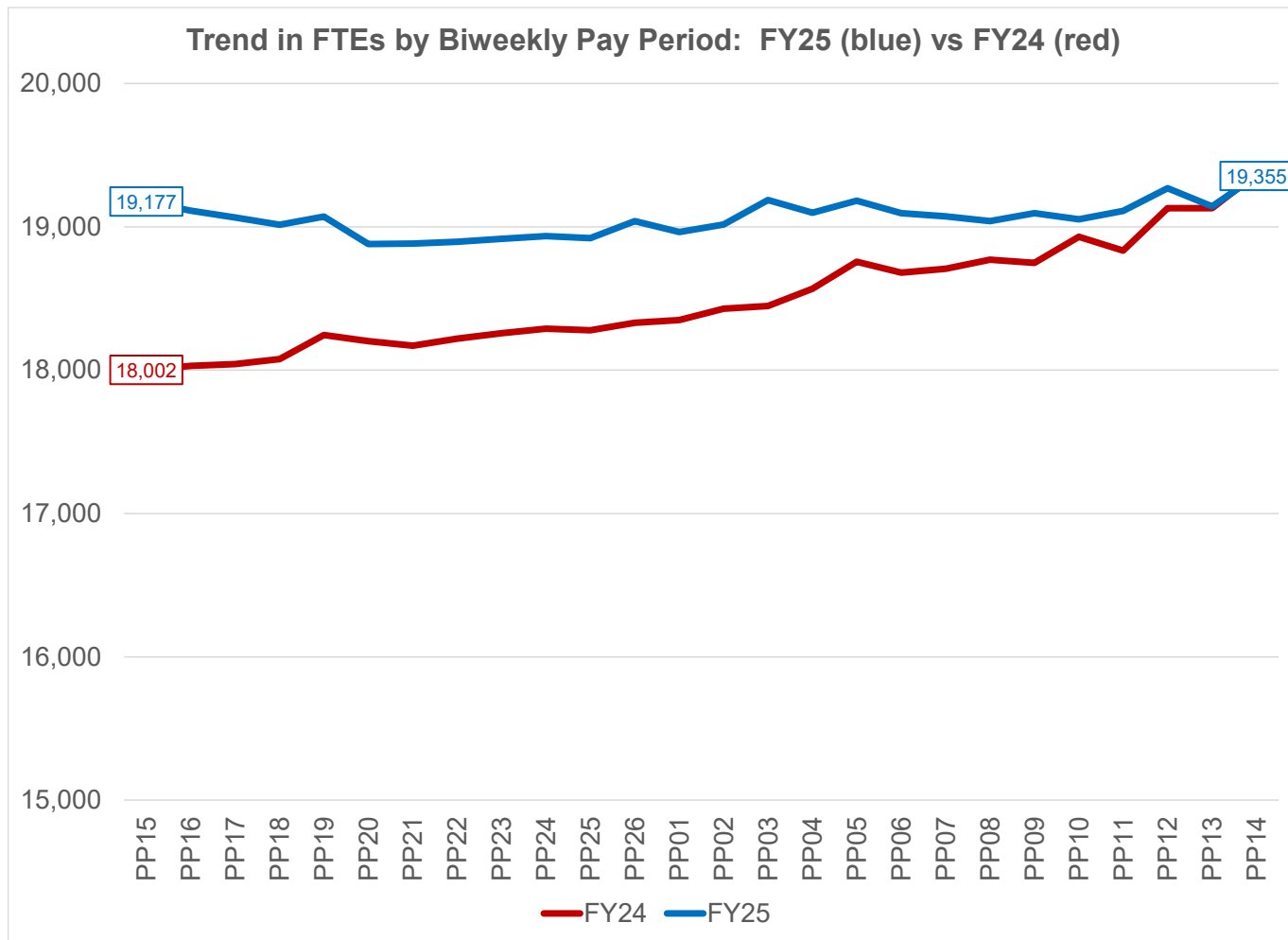
Salaries & Benefits from FY24 to FY25

- The percentage gap between payment rate growth and unit cost inflation narrowed in FY25 compared to the 6-year average due to greater restraint in hiring.
- However, this smaller percentage gap was applied against a larger dollar difference between revenues and expenses to create a comparable dollar increase in the core deficit: \$(118)m in FY25 compared to 6-year average of \$(120)m.
- The largest driver of higher core expenses was labor cost, up 8% from FY24 to FY25.
- This reflected the compounded effect of 1.8% more FTEs and 6.1% higher average wages & benefits per FTE.

Compensation Per FTE	FY24	FY25	% Change
Total payroll FTEs	18,500	19,062	3.0%
Contracted FTEs	510	288	-43.5%
Total OHSU FTEs	19,010	19,350	1.8%
Total salaries & benefits (millions)	\$3,203	\$3,440	7.4%
RIF & severance costs	(18)	0	-100.0%
Adjusted salaries & benefits	3,185	3,440	8.0%
Average compensation per FTE	\$167,518	\$177,756	6.1%

Trend in FTEs: FY25 Compared to FY24

The year over year increase in FTEs flattened by Q4, but the growth in compensation costs per employee did not.



FY25 Gain and Loss by Major Area

- This table takes direct margin and then allocates overhead, depreciation & interest, to show total revenue, total expense, and operating income (loss) for each major unit.
- Of the FY25 operating loss of \$(133)m, \$(251)m occurs in Healthcare + School of Medicine, a negative margin of -5.5%.
- This is offset in part by IGT funding not allocated to research & education support but instead used to support labor costs in excess of payments rates across OHSU.
- The \$(251)m HC+SoM loss compares to a \$114m gain in FY19 (pre-pandemic).

FY25 Operating Income by Major Area (millions)	Healthcare + SoM	CRO Ctrs & Institutes	Provost Schools	Restricted Funds	Admin & Institutional	IGT Funding	Total OHSU
Operating revenues	\$4,561	\$39	\$120	\$443	\$35	\$310	\$5,508
Direct expenses	4,402	32	113	438	394	0	5,379
Research & education support	(70)	(24)	(18)	(0)	(14)	126	0
Allocated overhead	325	25	21	0	(371)	0	(0)
Depreciation & interest	155	0	0	0	108	0	263
Total expenses	4,812	33	117	438	117	126	5,642
Operating gain (loss)	\$(251)	\$6	\$3	\$5	\$(81)	\$184	\$(133)

FY26 August YTD Revenue is \$35M > Expense

- FY26 August books show strong performance that, if maintained, would significantly increase the likelihood of achieving this year's budget. However, the bottom line includes several timing items that need to be kept in mind:
 - It does not have any impact of collective bargaining agreements under negotiation.
 - Implementation of GASB 101, which requires recording liabilities for all paid leave, resulted in a gain (reduction in liability) in July and August, as employees took vacation. This should reverse to an expense as the year progresses.
 - There is a positive variance in restricted funds due to a receipt of non-federal grants above spending on them. This too should even out as the year progresses.
 - August has no expense related to changes in the income sharing agreement with Adventist Health Portland.

August YTD Revenue & Expense Two Months (millions)	FY25 Last Year	FY26 Budget	FY26 Actual	Actual - Budget	Actual / Last Year
Operating revenues	\$886	\$1,013	\$1,000	\$(12)	12.9%
Salaries & benefits	567	609	594	(16)	4.8%
Supplies & services	293	358	328	(30)	12.0%
Depreciation & interest	43	44	43	(1)	0.8%
Operating expenses	902	1,011	965	(47)	6.9%
Operating income (loss)	\$(16)	\$1	\$35	\$34	
% operating margin	-1.8%	0.1%	3.5%		

Absent Timing Issues, Gain is \$12M > Budget

- In total, these timing items account for about \$22m of the \$35m in recorded operating income through August. The remaining \$13m of gain is \$12m above the seasonally-spread budget.
- Revenues are a bit below budget but this gap is more than offset by lower Rx & medical supply expense. Salaries & benefits are well-managed and essentially on budget, adjusting for the timing issues noted above.
- Finally, spending on other services & supplies is well below both budget and the trend of the last quarter of FY25. This item tends to be especially lumpy (with units holding back on spending early in the year) and often catches up as the year progresses.
- Healthcare & School of Medicine are \$13m better than budget through August. Adjusting for their component of timing items listed above (including 85% of total AFSCME labor costs), they are essentially on budget.
- Despite the booked gain and positive investment returns, OHSU-held cash & investments are down \$(80)m in two months, including the continued build-out of the Vista Pavilion now that debt issued for the project has been completely applied.
- The first couple months of financial results are can be quite variable; future months' results will provide a firmer fix but so far, trends are positive. Maintaining very tight FTE control and not spending on other services & supplies will be key on the upside.

Financial Imperatives for FY26 & Beyond

- Keep FTE growth below 2% year over year (achieved in FY25).
- Increase productivity to continue to meet our missions within the lower FTE growth.
- Control increase in salaries & benefits per FTE, especially in new contracts.
- Invest in and achieve strategic growth in profitable services, such as cancer care.
- Secure better payment rates that reflect the unique and complex care we provide, following on success in the United Healthcare contract (>30% over 3 years).



September 19, 2024

To: Members, OHSU Finance & Audit Committee

From: Lawrence J. Furnstahl
Executive Vice President & Chief Financial Officer

Re: Acceptance of Annual Audit by the Committee

Prior to this past year, the Finance & Audit Committee (FAC) did not have public meetings and did not vote on anything. It was advisory only. As a result, the external auditors (KPMG) provided their annual audit report to the Committee in October but then repeated that report to the full Board a week later. Because of this, we had to have back-to-back full Board meetings, one in September and one in October.

Now with public FAC meetings, the Committee can vote on actions that are delegated to it in its charter. The following updated charter allows the FAC to vote to accept the external audit directly in its public October meeting, eliminating the need for the second full Board meeting.

This proposed change, which we have reviewed with KPMG, aligns with common practice at other organizations. On September 17th, the Governance Committee reviewed the charter edits and we have incorporated their comments. After discussion at the FAC next week, we will present a final version to the full Board for approval at the September 26th meeting. If approved, this will allow us to dispense with the October full Board meeting.

The first version attached is “clean” with the major changes highlighted. The second version is a full red-line showing all text changes from the prior version of the charter.

**Oregon Health & Science University
Board of Directors
Finance & Audit Committee Charter**

Committee Purposes

1. The OHSU Board Finance & Audit Committee will serve as advisors to the OHSU President and/or the President's designee for matters related to long-term financial plans and annual budgets, review of financial results and performance goals, identifying and managing financial risk, and strategic financial decisions in relation to the overall mission of the organization.
2. The Committee shall have the authority to receive, review, and accept on behalf of the Board of Directors the report of the independent auditors, including the annual audited financial statements. Further, they will also assist the President and/or the President's designee by reviewing and advising on the quality and integrity of accounting, auditing, financial reporting and internal controls, which include obtaining annually, from a qualified independent public accountant, adequate assurance that appropriate accounting standards have been followed and that financial reports comply with applicable laws and regulations.
3. The Committee will serve as advisors to the President and/or the President's designee in formulating the University's overall investment policies and establishing investment guidelines in furtherance of those policies. The Committee, along with the Chief Financial Officer, will monitor the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.

Committee Membership and Meetings

The Finance & Audit Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. At least one member of the Finance & Audit Committee shall have experience in financial reporting or analysis, or the Finance & Audit Committee shall obtain the services of an individual who has such experience.

The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not so designated or he or she is absent or unable to serve, the members of the Committee may designate an acting Chair by majority vote of the full Committee membership.

The Committee will meet at least four times per year, with a goal of at least one meeting in person.

Budget and Finance Matters

The Committee will provide advice and counsel to the President and/or the President's designee as follows:

- Review and comment on financial assumptions and proposals preliminary to OHSU's annual operating and capital budgets.
- Review and comment on long-term financial plans prepared in connection with the mission and strategic plans, financings, acquisitions, partnerships and other decisions that involve long-term financial planning.
- Review and comment on the organization's performance against annual budgets and long-term plans, through review of financial reports and forecasts.
- Review and comment on financial strategies of the university, including sensitive business, financial or commercial matters not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real estate or personal property, or related to health system strategies, investment policy and performance, and debt and debt risk management.
- Review and comment on the portfolio of financial institutions that provide banking and lending services to the university, including market conditions and terms.

Audit Matters

The Committee will provide advice and counsel to the President and/or the President's designee on:

- The selection of an independent audit firm to provide annually a written opinion and other required communications on the consolidated financial statements of OHSU in accordance with auditing standards generally accepted in the United States of America.
- The independence of the audit firm from OHSU in both fact and appearance.
- The audit scope, engagement letter (which will include a designated member of the Committee as an addressee), and aggregate billings of the audit firm, including any non-audit services provided.

- The budget, structure, scope, findings and results of the university's internal audit program. The director of the internal audit program will meet with the committee twice annually.
- Issues concerning financial integrity and controls, fraud or misappropriation of resources, whether identified by management, internal audit, the independent audit firm or others, will be brought to the attention of the Committee and the full Board where appropriate.

In addition, the Committee shall have the authority to receive, review, and accept on behalf of the Board of Directors:

- The report of the independent auditors, including the annual audited financial statements. The Committee shall report its actions to the Board at the next regular meeting and provide the Board with a summary of key findings and recommendations from the auditors for acknowledgement.

With acceptance of the audited financial statements by the Finance & Audit Committee, the audited financial statements shall be deemed accepted by the Board of Directors, unless otherwise directed by the Board. The Committee shall also oversee management's response to the auditors' recommendations and report on progress to the Board.

Audit Firm Independence

In order to ensure the independence and integrity of the audit, the audit firm retained by OHSU must agree that:

- The partner conducting the audit must rotate off the audit no less often than every 7 years, for a period of at least 2 years.
- The audit firm may not have employed the OHSU president, chief financial officer, chief accounting officer, or senior healthcare financial leader in the one year preceding the audit.
- Prior to performance by the audit firm of services outside the engagement letter that may bear on auditor independence, management shall consult with members of the Committee.

Investment Matters

The Committee will provide advice and counsel to the President and/or the President's designee on:

- Setting investment policies and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments.
- Overseeing investment and reinvestment of funds. The Committee may delegate investment functions to officers and employees and to external investment managers.
- Monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy.
- Evaluating investment performance of the fund based on a comparison of actual returns, and with such other benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels.
- Review and recommend to the President or the President's designee an incentive compensation pool for professional investment staff.
- Periodically review and assess the adequacy of this charter and make recommendations for revisions.

**Oregon Health & Science University
Board of Directors
Finance & Audit Committee Charter**

Committee Purposes

1. The OHSU Board Finance & Audit Committee will serve as advisors to the OHSU President and/or the President's designee for matters related to long-term financial plans and annual budgets, review of financial results and performance goals, identifying and managing financial risk, and strategic financial decisions in relation to the overall mission of the organization.
2. The Committee ~~will also assist the President~~ shall have the authority to receive, review, and accept on behalf of the Board of Directors the report of the independent auditors, including the annual audited financial statements. Further, they will also assist the President and/or the President's designee by reviewing and advising on the quality and integrity of accounting, auditing, financial reporting and internal controls, which include obtaining annually, from a qualified independent public accountant, adequate assurance that appropriate accounting standards have been followed and that financial reports comply with applicable laws and regulations.
3. The Committee will serve as advisors to the President and/or the President's designee in formulating the University's overall investment policies, and establishing investment guidelines in furtherance of those policies. The Committee, along with the Chief Financial Officer, will monitor the management of the portfolio for compliance with the investment policies and guidelines and for meeting performance objectives over time.
4. ~~The Committee is not authorized to make decisions for or recommendations to the Board of Directors but serves only in an advisory capacity to the President or the President's designee.~~

Committee Membership and Meetings

The Finance & Audit Committee will consist of no fewer than three members who shall be appointed and replaced by the Board and serve at the pleasure of the Board. ~~At~~ least one member of the Finance & Audit Committee shall have experience in financial reporting or analysis, or the Finance & Audit Committee shall obtain the services of an individual who has such experience.

The Board will designate one of its members to serve as Chair of the Committee, but if the Committee Chair is not so designated or he or she is absent or unable to serve, the members of the Committee may designate an acting Chair by majority vote of the full Committee membership.

Committee Meetings and Reports

The Committee will meet at least four times per year. ~~The Committee's performance will be evaluated, with a goal of at least annually. As a body that is exclusively advisory to a single individual, no quorum is required or necessary for Committee business and shall not be constituted regardless of the number of members one meeting in attendance. person.~~

Budget and Finance Matters

The Committee will provide advice and counsel to the President and/or the President's designee as follows:

- Review and comment on financial assumptions and proposals preliminary to OHSU's annual operating and capital budgets.
- Review and comment on long-term financial plans prepared in connection with the mission and strategic plans, financings, acquisitions, partnerships and other decisions that involve long-term financial planning.
- Review and comment on the organization's performance against annual budgets and long-term plans, through review of financial reports and forecasts.
- Review and comment on financial strategies of the university, including sensitive business, financial or commercial matters not customarily provided to competitors related to financings, mergers, acquisitions or joint ventures or related to the sale or other disposition of, or substantial change in use of, significant real estate or personal property, or related to health system strategies, investment policy and performance, and debt and debt risk management.
- Review and comment on the portfolio of financial institutions that provide banking and lending services to the university, including market conditions and terms.

Audit Matters

The Committee will provide advice and counsel to the President and/or the President's designee on:

- The selection of an independent audit firm to provide annually a written opinion and other required communications on the consolidated financial

statements of OHSU in accordance with auditing standards generally accepted in the United States of America.

- The independence of the audit firm from OHSU in both fact and appearance.
- -The audit scope, engagement letter (which will include a designated member of the Committee as an addressee), and aggregate billings of the audit firm, including any non-audit services provided.
- The budget, structure, scope, findings and results of the university's internal audit program. -The director of the internal audit program will meet with the committee twice annually.
- Issues concerning financial integrity and controls, fraud or misappropriation of resources, whether identified by management, internal audit, the independent audit firm or others, will be brought to the attention of the Committee and the full Board where appropriate.

In addition, the Committee shall have the authority to receive, review, and accept on behalf of the Board of Directors:

- The report of the independent auditors, including the annual audited financial statements. The Committee shall report its actions to the Board at the next regular meeting and provide the Board with a summary of key findings and recommendations from the auditors for acknowledgement.

With acceptance of the audited financial statements by the Finance & Audit Committee, the audited financial statements shall be deemed accepted by the Board of Directors, unless otherwise directed by the Board. The Committee shall also oversee management's response to the auditors' recommendations and report on progress to the Board.

Audit Firm Independence

In order to ensure the independence and integrity of the audit, the audit firm retained by OHSU must agree that:

- The partner conducting the audit must rotate off the audit no less often than every 7 years, for a period of at least 2 years.
- The audit firm may not have employed the OHSU ~~President, OHSU Chief Financial Officer, Comptroller or Hospital Chief Financial Officer~~ president, chief financial officer, chief accounting officer, or senior healthcare financial leader in the one year preceding the audit.

- Prior to performance by the audit firm of services outside the engagement letter that may bear on auditor independence, management shall consult with members of the Committee.

Investment Matters

The Committee will provide advice and counsel to the President and/or the President's designee on:

- Setting investment policies and guidelines, including policies and guidelines regarding asset classes, asset allocation ranges, and prohibited investments.
- Overseeing investment and reinvestment of funds. The Committee may delegate investment functions to officers and employees and to external investment managers.
- Monitoring the management of the funds by reviewing written reports from investment staff and by discussions with investment staff at Committee meetings that focus on the primary determinants of returns, including asset allocation and investment strategy.
- Evaluating investment performance of the fund based on a comparison of actual returns, and with such other benchmarks as the Board or Committee may from time to time select. The evaluation will take into account compliance with investment policies and guidelines and risk levels.
- Review and recommend to the President or the President's designee an incentive compensation pool for professional investment staff.
- Periodically review and assess the adequacy of this charter and make recommendations for revisions.