Rush University Medical Center and Subsidiaries

Consolidated Financial Statements as of and
for the Years Ended June 30, 2010 and 2009,
and OMB Circular A-133 Supplementary Report for
the Year Ended June 30, 2010, and
Independent Auditors' Reports

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Rush University Medical Center:

We have audited the accompanying consolidated balance sheets of Rush University Medical Center and Subsidiaries (RUMC) as of June 30, 2010 and 2009, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of the RUMC's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of RUMC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, the financial position and results of operations of Rush-Copley Medical Center and Rush North Shore Medical Center have been excluded from RUMC's accompanying consolidated financial statements. Accounting principles generally accepted in the United States of America require consolidation of these entities.

In our opinion, except for the matter discussed in the preceding paragraph, such consolidated financial statements referred to above present fairly, in all material respects, the financial position of RUMC as of June 30, 2010 and 2009, and the results of their operations and changes in net assets and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2010, on our consideration of RUMC's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements of RUMC taken as a whole. The accompanying schedule of expenditures of federal and state awards, as listed in the foregoing table of contents, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such schedule is the responsibility of management of Rush University Medical Center. Such information has been subjected to the auditing procedures applied in the audit of 2010 financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Deloitte & Touche LLP

October 22, 2010

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
AS OF JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 156,779	$ 159,549
Short-term investments	115,459	95,844
Accounts receivable for patient services — net of allowance for doubtful accounts of $41,826 in 2010 and $46,943 in 2009	127,145	140,084
Other accounts receivable	72,028	52,772
Self-insurance trust — current portion	27,953	25,935
Other current assets	31,930	31,392
Total current assets	531,294	505,576
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments — less current portion	244,312	157,242
Limited as to use by donor or time restriction	372,507	384,692
Collateral proceeds received under securities lending program	56,125	32,565
Investments on loan under securities lending program	54,348	33,101
Self-insurance trust — less current portion	116,844	118,642
Project fund	60,811	43,634
Debt service reserve fund	41,169	22,488
Total assets limited as to use and investments	946,116	792,364
PROPERTY AND EQUIPMENT — At cost:		
Land and buildings	1,010,438	871,997
Equipment	363,904	359,789
Construction in progress	355,741	281,193
Total property and equipment	1,730,083	1,512,979
Less accumulated depreciation	(727,204)	(694,505)
Net property and equipment	1,002,879	818,474
OTHER ASSETS	18,503	15,203
TOTAL	$2,498,792	$2,131,617

	2010	2009
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 123,464	$ 127,989
Accrued expenses	122,685	112,008
Student loan funds	22,461	23,619
Estimated third-party settlements payable	121,799	107,542
Current portion of accrued liability under self-insurance program	33,599	27,437
Current portion of long-term debt	7,593	5,998
Total current liabilities	431,601	404,593
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance program — less current portion	170,995	169,344
Postretirement and pension benefits	231,228	139,098
Long-term debt — less current portion	522,160	357,964
Obligation to return collateral under securities lending program	56,125	33,983
Other long-term liabilities	57,592	48,807
Obligations under capital leases and deferred financing arrangements	37,952	39,203
Total long-term liabilities	1,076,052	788,399
Total liabilities	1,507,653	1,192,992
NET ASSETS:		
Unrestricted	478,888	454,981
Temporarily restricted for specific purposes	297,969	278,560
Permanently restricted endowments:		
Income unrestricted	20,443	20,443
Income restricted for specific purposes	193,839	184,641
Total permanently restricted endowments	214,282	205,084
Total net assets	991,139	938,625
TOTAL	$2,498,792	$2,131,617

See notes to consolidated financial statements.

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
REVENUE:		
Net patient service revenue	$ 1,183,464	$ 1,136,961
University services:		
Tuition and educational grants	47,270	42,108
Research and other operations	105,440	97,942
Other revenue	59,042	56,284
Total revenue	1,395,216	1,333,295
EXPENSES:		
Salaries, wages, and employee benefits (Note 18)	692,586	671,338
Supplies, utilities, and other	504,696	476,971
Depreciation and amortization	68,125	64,818
Provision for uncollectible accounts	34,059	40,523
Interest and fees	17,298	11,207
Total expenses	1,316,764	1,264,857
OPERATING INCOME	78,452	68,438
NONOPERATING INCOME (EXPENSE):		
Investment income (loss)	26,809	(29,615)
Unrestricted contributions	8,124	9,536
Fundraising expenses	(5,811)	(5,997)
Change in fair value of interest rate swaps	(2,956)	(3,134)
Loss on extinguishment of debt	-	(792)
Total nonoperating income (loss)	26,166	(30,002)
EXCESS OF REVENUE OVER EXPENSES	104,618	38,436

(Continued)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
UNRESTRICTED NET ASSETS:		
Excess of revenue over expenses	$ 104,618	$ 38,436
Recovery (funding) of impaired endowment corpus	3,622	(5,729)
Net assets released from restrictions used for purchase of property and equipment and other	18,773	15,047
Cumulative effect of adoption of FASB ASC 958-205	-	(32,647)
Postretirement-related changes other than net periodic postretirement cost	(103,106)	(82,079)
Increase (decrease) in unrestricted net assets	23,907	(66,972)
TEMPORARILY RESTRICTED NET ASSETS:		
Pledges and contributions	35,976	39,388
Net assets released from restrictions	(49,270)	(47,023)
Cumulative effect of adoption of FASB ASC 958-205	-	32,647
Investment gains (losses)	9,458	(8,508)
Change in unrealized gains (losses) on investments	23,245	(25,458)
Increase (decrease) in temporarily restricted net assets	19,409	(8,954)
PERMANENTLY RESTRICTED NET ASSETS:		
Pledges and contributions	7,953	1,282
Change in unrealized gains (losses) impacting endowment corpus	3,622	(5,729)
(Replenishment) recovery of impaired endowment corpus	(3,622)	5,729
Investment gains (losses) on trustee-held investments	1,245	(4,403)
Increase (decrease) in permanently restricted net assets	9,198	(3,121)
INCREASE (DECREASE) IN NET ASSETS	52,514	(79,047)
NET ASSETS — Beginning of year	938,625	1,017,672
NET ASSETS — End of year	$ 991,139	$ 938,625

See notes to consolidated financial statements. (Concluded)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2010 AND 2009
(Dollars in thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Increase (decrease) in net assets	$ 52,514	$ (79,047)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities:		
Unrealized and realized (gains) losses on investments — trading	(50,768)	81,137
Unrealized and realized (gains) losses on investments — other-than-trading	(2,916)	5,666
Restricted contributions and investment income received	(27,188)	(14,871)
Investment (gains) losses on trustee-held investments	(1,245)	4,403
Postretirement-related changes other than net periodic postretirement cost	103,106	82,079
Depreciation and amortization	68,290	64,818
Provision for uncollectible accounts	34,059	40,523
Loss on extinguishment of debt	-	792
Change in fair value of interest rate swaps	2,956	3,134
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(21,120)	(50,462)
Accounts payable and accrued expenses	(2,381)	36,017
Estimated third-party settlements payable	14,257	14,071
Pension and postretirement costs	(10,976)	(13,729)
Accrued liability under self-insurance program	7,813	(6,057)
Other changes in operating assets and liabilities	(13,011)	578
Net cash provided by operating activities	153,390	169,052
CASH FLOWS FROM INVESTING ACTIVITIES:		
Additions to property and equipment	(270,501)	(262,042)
Purchase of investments	(895,621)	(4,792,699)
Sale of investments	800,394	4,765,733
Proceeds from sale of building (Note 19)	26,079	-
Net cash used in investing activities	(339,649)	(289,008)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	23,540	14,764
Net asset transfer from affiliate	-	6,298
Repayment of short-term debt	-	(5,776)
Proceeds from issuance of long-term debt	171,668	288,301
Refunding of prior debt	-	(134,203)
Payment of bond issuance costs	(2,663)	(3,540)
Payment of long-term debt	(6,042)	(5,285)
Payment of obligations under capital lease and other financing arrangements	(3,014)	(2,492)
Net cash provided by financing activities	183,489	158,067
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(2,770)	38,111
CASH AND CASH EQUIVALENTS — Beginning of year	159,549	121,438
CASH AND CASH EQUIVALENTS — End of year	$ 156,779	$ 159,549
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION — Cash paid for interest — including capitalized interest of $17,955 in 2010 and $7,865 in 2009	$ 33,381	$ 16,754
NONCASH ADDITIONS TO PROPERTY AND EQUIPMENT	$ 9,138	$ 16,623

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF CONSOLIDATION

The accompanying consolidated financial statements include the accounts of Rush University Medical Center and Subsidiaries (RUMC). RUMC owns and operates an academic medical center located in Chicago, Illinois. RUMC is an Illinois not-for-profit corporation, exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Major operations include the following:

Rush University Hospital — Consists of an acute care hospital and the Johnson R. Bowman Health Center for the Elderly, a rehabilitation and psychiatric facility, licensed in total for 766 beds.

Rush Oak Park Hospital (ROPH) — A 296-licensed bed acute care, rehabilitation, and skilled nursing hospital located approximately eight miles west of RUMC in Oak Park, Illinois.

Rush University — A health sciences university that educates students in health-related fields. This includes Rush Medical College, the College of Nursing, the College of Health Sciences, and the Graduate College. Rush University also includes a research operation with \$126,415 and \$115,455 in annual research expenditures during fiscal year 2010 and 2009, respectively.

Rush University Medical Group (RUMG) — Faculty practice plan that employed 376 physicians as of June 30, 2010.

RUMC, through a joint venture arrangement with a third party, is responsible for the operations and management of ROPH. As a result, RUMC controls and has an economic interest in ROPH. Substantially, all assets, liabilities, and net assets, as well as all revenue and expenses of ROPH, are consolidated with the financial results of RUMC, and all significant intercompany activity has been eliminated.

RUMC consolidates the following wholly owned subsidiaries: Vyridian Revenue Management, Health Delivery Management, and RPSLMC Insurance Company, Ltd. Vyridian Revenue Management is a limited liability company that provides physician billing and collection services, primarily to RUMG. Health Delivery Management is a limited liability company that operates retail and infusion pharmacies for RUMC and ROPH. RPSLMC Insurance Company, Ltd. is an offshore insurance company that provides professional and general liability insurance coverage to RUMC. All significant intercompany activity has been eliminated.

RUMC has majority ownership in a number of subsidiaries, including Rush Surgicenter LLP, a limited partnership which operates an outpatient surgery center, and Circle Imaging Partners and Oak Park Imaging, limited partnerships which equip, maintain, and provide outpatient imaging services. The financial results of these subsidiaries are also consolidated with the financial results of RUMC. As of June 30, 2010 and 2009, minority interests in the consolidated subsidiaries totaled \$3,063 and \$2,764, respectively, included in other noncurrent liabilities.

RUMC has an affiliation with Rush-Copley Medical Center (RCMC), an acute care facility located in Aurora, Illinois, that covers governance and other organizational relationships. Additionally, RUMC and RCMC are parties to a Master Trust Indenture that established an Obligated Group for purposes of issuing long-term debt (see Note 7). Prior to January 1, 2009, RUMC also had an affiliation with Skokie Hospital, formerly known as Rush North Shore Medical Center (RNS), and RNS was a Member of the Obligated Group. Effective January 1, 2009, RNS merged into NorthShore University HealthSystem, formerly known as Evanston Northwestern Healthcare Corporation, and on December 31, 2008, RNS withdrew from the Obligated Group and its affiliation with RUMC was terminated. Under accounting principles generally accepted in the United States of America ("generally accepted accounting principles"), as a result of these affiliations and financial interdependency, the financial accounts of these affiliated organizations should be consolidated with RUMC. The financial statements of RCMC and RNS have been excluded from the accompanying consolidated financial statements.

If the financial statements of RCMC and RNS had been consolidated with RUMC, financial information as of and for the years ended June 30, 2010 and 2009, respectively, would have been as follows:

	2010	**2009**
Total assets	$2,819,720	$2,447,414
Total liabilities	1,680,758	1,374,684
Total net assets	$1,138,962	$1,072,730
Total revenue	$1,685,185	$1,614,739
Total expenses	1,595,791	1,537,817
Operating income	89,394	76,922
Nonoperating income (loss)	28,122	(33,163)
Excess of revenue over expenses	$ 117,516	$ 43,759
Increase (decrease) in unrestricted net assets before discontinued operations	$ 36,908	$ (61,572)
Total discontinued operations	-	(42,475)
Increase (decrease) in unrestricted net assets	$ 36,908	$ (104,047)
Net cash provided by (used in):		
Operating activities	$ 168,559	$ 218,941
Investing activities	(364,975)	(345,713)
Financing activities	189,589	166,656
Cash flows from discontinued operations	-	(4,312)
Net (decrease) increase in cash and cash equivalents	$ (6,827)	$ 35,572

The assets and liabilities of RNS were eliminated from the consolidated balance sheet of the Obligated Group as of December 31, 2008. As such, the consolidated assets, liabilities, and net assets of the Obligated Group for June 30, 2009, presented above exclude RNS. The net loss from operations and decrease in net assets of RNS for the six-month period ended December 31, 2008, are included in the consolidated decrease in unrestricted net assets as a discontinued operation and excluded from excess of revenues over expenses during the year ended June 30, 2009.

In connection with the withdrawal of RNS from the Obligated Group, all debt outstanding under the Master Trust Indenture for which RNS was the primary obligor was defeased or redeemed (total indebtedness attributable to RNS and secured by the Master Trust Indenture was $52.8 million as of December 31, 2008).

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation — Except for the matter discussed in Note 1 related to the consolidation of RCMC and RNS, the accompanying consolidated financial statements have been presented in conformity with generally accepted accounting principles as recommended in the audit and accounting guide for healthcare organizations published by the American Institute of Certified Public Accountants.

Use of Estimates — The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents — Marketable securities having an original maturity of 90 days or less are considered to be cash equivalents.

Inventory — Medical supplies, pharmaceuticals, and other inventories are stated at the lower of cost or market.

Investments — Investments in equity and debt securities with readily determinable fair values are designated as trading securities and measured at their fair value using quoted market prices. Short-term investments having an original maturity greater than 90 days that are available for current operations are reported as current assets. Alternative investments, consisting of hedge funds, real estate investments, and private equity limited partnerships are designated as other-than-trading. Hedge funds are measured at their fair market value based on information provided by the respective fund. Investments in limited partnerships (principally private equity funds) are reported at cost, adjusted for impairment losses, based on information provided by the respective partnership when RUMC’s ownership percentage is minor (less than 5%). Investments in limited partnerships where RUMC’s ownership percentage is more than minor, but consolidation is not required (5% to 50%), are accounted for on the equity basis. Real estate investments are carried at amortized cost.

Investment gains and losses (including interest, dividends, realized gains and losses, and unrealized gains and losses recognized on trading securities and hedge funds) are included in the excess of revenue over expenses unless the income or loss is restricted by donor or law or relate to the unrestricted portion of RUMC’s endowment. Beginning on July 1, 2009, all of the investment gains and losses on RUMC’s endowment are recognized within temporarily restricted net assets until appropriated for use (see Note 6). Prior to fiscal year 2010, investment gains and losses on the unrestricted portion of RUMC’s endowment were recognized within the excess of revenue over expenses. Investment returns on permanently restricted assets are allocated to purposes specified by the donor either as temporarily restricted or unrestricted, as applicable.

Derivative Instruments — Derivative instruments, specifically interest rate swaps, are recorded in the consolidated balance sheets as either assets or liabilities at their respective fair values. The change in the fair value of derivative instruments is reflected in nonoperating income (expense) in the accompanying consolidated statements of operations and changes in net assets. Net cash settlements and payments, representing the realized changes in the fair value of the interest rate swaps, are included as interest expense in the accompanying consolidated statements of operations and changes in net assets and as operating cash flows in the accompanying consolidated statements of cash flows (see Note 8).

Capitalized Interest — Interest expense from bond proceeds, net of interest income, incurred during the construction of major projects is capitalized during the construction period. Such capitalized interest is amortized over the depreciable life of the related assets on a straight-line basis. Capitalized interest was $17,955 and $7,865 in 2010 and 2009, respectively.

Fair Value of Financial Instruments — Financial instruments consist primarily of cash and cash equivalents, investments, derivative instruments, accounts receivable, accounts payable, accrued expenses, estimated third-party settlements, and debt. Except as otherwise disclosed (see Notes 5 and 7), the fair value of these instruments approximated its financial statement carrying amount as of June 30, 2010 and 2009, because of their short-term maturity.

Property and Equipment — Property and equipment are recorded at cost. Depreciation and amortization expenses are recognized over the estimated useful lives of the assets using the straight-line method.

Costs of computer software developed or obtained for internal use, including external direct costs of materials and services, payroll, and payroll-related costs for employees directly associated with internal-use software development projects and interest costs incurred during the development period are capitalized and included in property and equipment in the accompanying consolidated balance sheets.

Long-Lived Assets — RUMC continually evaluates whether circumstances have occurred that would indicate the remaining estimated useful life of long-lived assets may warrant revision or that the remaining balance of such assets may not be recoverable. When factors indicate that such assets should be evaluated for possible impairment, RUMC uses an estimate of the undiscounted cash flows over the remaining life of the assets in measuring whether the asset is recoverable.

Other Assets — Other assets include investments in joint ventures accounted for on the equity basis (see Note 16), debt issuance costs (net of amortization, which is computed on the straight-line basis over the life of the related debt), and other items.

Securities Lending — RUMC records, as an asset, the fair value of its beneficial interest in cash collateral pools for securities lent to third parties and records a corresponding liability for the collateral received that will be paid back to the third party.

Charity Care — It is an inherent part of RUMC’s mission to provide necessary medical care free of charge, or at a discount, to individuals without insurance or other means of paying for such care. As the amounts determined to qualify for charity care are not pursued for collection, they are not reported as patient service revenue.

RUMC has an established charity care policy and maintains records to identify and monitor the level of charity care it provides. RUMC provides free care to all patients whose family income is less than 300% of the poverty level and a 64% discount to all uninsured patients regardless of ability to pay, and will provide services at a discount for patients whose family income is less than 400% of the poverty level. Interest-free payment plans are also provided. These records include the estimated cost of unreimbursed services provided and supplies furnished under its charity care policy and the excess of cost over reimbursement for Medicaid patients. RUMC also monitors the unreimbursed cost of patient bad debts.

In December 2006 and again in December 2008, the Centers for Medicare and Medicaid Services approved the Illinois Hospital Assessment Program (the “Program”) to improve Medicaid reimbursement for Illinois hospitals. This Program increased net patient service revenue in the form of additional Medicaid payments and increased supplies, utilities, and other expense through a tax assessment from the State of Illinois. The net benefit to RUMC from this Program was $16,565 during each of the years ended June 30, 2010 and 2009. For each of the years ended June 30, 2010 and 2009, the Medicaid payment of $42,871 was included in net patient service revenue, representing 4% of the total balance, and the tax assessment of $26,306 was included in supplies, utilities, and other expense. The Program is approved through June 30, 2013; however, the future of the Program is uncertain.

The level of charity care provided for the years ended June 30, 2010 and 2009, is as follows:

	2010	2009
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients	$ 61,154	$ 59,171
Net benefit under the Program	(16,565)	(16,565)
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients — net of net benefit under the Program	44,589	42,606
Estimated costs and expenses incurred to provide charity care in the hospitals	17,645	16,044
Total	$ 62,234	$ 58,650

The total number of patients that were either provided charity care directly by RUMC or that were covered by the Program represented 21.5% and 17.9% of RUMC's total patients in 2010 and 2009, respectively. Many of RUMC's patients are reluctant and do not provide the information necessary to qualify for charity care. Therefore, a portion of RUMC's bad debt expense represents patients that do not have the financial ability to pay.

Contributions — Unconditional promises to give cash and other assets are reported at fair value at the date the promise is received. Conditional gifts are reported at fair value when the conditions have been substantially met. The gifts are reported as either temporarily or permanently restricted if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, temporarily restricted net assets are reclassified as unrestricted net assets and reported in the consolidated statements of operations as other revenue (if time restricted or restricted for operating purposes) or reported in the consolidated statements of changes in net assets as net assets released from restrictions used for purchase of property and equipment (if restricted for capital acquisitions). Donor-restricted contributions for operating purposes whose restrictions are met within the same year as received are reported as other revenue in the accompanying consolidated statements of operations.

RUMC is the beneficiary of several split-interest agreements, primarily perpetual trusts held by others. RUMC recognizes its interest in these trusts based on either RUMC's percentage of the fair value of the trust assets or the present value of expected future cash flows to be received from the trusts, as appropriate, based on each trust arrangement.

Excess of Revenue Over Expenses — The consolidated statements of operations include excess of revenue over expenses. Changes in unrestricted net assets which are excluded from excess of revenue over expenses, consistent with industry practice, include permanent transfers of assets to and from affiliates for other than goods and services, contributions of (and assets released from donor restrictions related to) long-lived assets, and other items that are required by generally accepted accounting principles to be reported separately (such as extraordinary items, the effect of discontinued operations, postretirement-related changes other than net periodic postretirement cost, and the cumulative effect of changes in accounting principles).

Nonoperating Income (Expense) — Nonoperating income (expense) consists primarily of unrestricted investment returns on the endowment investment pool when appropriated for use, the difference between total investment return, and amount allocated to operations for investments designated for self-insurance programs, investment income or loss (including interest, dividends, realized gains and losses, unrealized gains and losses recognized on trading securities, and unrealized gains and losses recognized on hedge funds) on all other investments, changes in the fair value of interest rate swaps, losses on extinguishment of debt, net gains (losses) on sales of assets, unrestricted contributions, losses on impaired assets, and fundraising expenses.

New Accounting Pronouncements — In June 2009, the Financial Accounting Standards Board (FASB) issued *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles* ("Codification"), which provides a single official source of authoritative U.S. accounting and reporting standards applicable for all nongovernmental entities. The Codification did not change generally accepted accounting principles ("GAAP"), but organized and consolidated authoritative guidance into a single, concise source of GAAP. Since the adoption of the Codification, the FASB issues any new authoritative accounting standards in the form of Accounting Standards Updates (ASUs). The Codification is effective for financial statements issued for periods ending after September 15, 2009, and was adopted by RUMC for the year ended June 30, 2010. The adoption of the Codification did not have a material impact on RUMC's consolidated financial statements.

In April 2009, the FASB issued authoritative guidance on determining fair value when there has been a significant decrease in the volume and level of activity for the asset or liability measured at fair value and identifying transactions that are not orderly (codified as ASU 820-10-50-2). The guidance requires entities to disclose the inputs and valuation techniques used to measure fair value, include a discussion of changes in valuation techniques (if any), and also includes a disclosure provision that requires investments in the fair value hierarchy to be listed by major investment type based on the nature and risks of the investments. The effect of adopting these standards did not have a material impact on RUMC's consolidated financial statements. The additional disclosures can be found in Note 5.

During fiscal year 2010, RUMC adopted authoritative guidance issued by the FASB related to derivative instruments and hedging activities. This guidance expands the disclosure requirements for derivative instruments and hedging activities to include an explanation of an entity's reasons for using derivative instruments, the risks involved, and how these instruments and related hedged items affect an entity's financial position, financial performance, and cash flow. To meet these objectives, this statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about the fair values of derivative instruments and their gains and losses, and disclosures about credit-risk-related contingent features in derivative agreements. The enhanced disclosures about derivative instruments and hedging activities are included in Note 8.

During fiscal year 2010, RUMC adopted authoritative guidance issued by the FASB which amends the disclosure requirements related to assets held in a defined benefit pension or other postretirement plan. This guidance requires plan sponsors to disclose additional information about the fair value of each major category of assets in the plans as of each annual reporting date and the basis for determining the value, descriptions of investment policies and strategies, and more detailed disclosures related to concentrations of credit risk within plan assets. The additional disclosures are included in Note 9.

Consideration of Events Subsequent to the Balance Sheet Date — RUMC recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing financial statements. RUMC does not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date but before the financial statements are issued. For these purposes, RUMC has evaluated events occurring subsequent to the balance sheet date through October 22, 2010, the date the financial statements were available to be issued. RUMC has not evaluated events occurring after October 22, 2010, in these financial statements.

3. NET PATIENT SERVICE REVENUE

The mix of net patient service revenue (excluding the reimbursement under the Program) from patients and third-party payors for the years ended June 30, 2010 and 2009, was as follows:

	2010	2009
Medicare	26 %	27 %
Medicaid	11	11
Blue Cross	32	30
Managed care	24	25
Commercial and self-pay	7	7
Total	100 %	100 %

RUMC has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, per diem payments, and discounted charges. Patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered, including estimated retroactive settlements. Estimated settlements are accrued in the period the related services are rendered and adjusted in future periods as final settlements are determined. Changes in estimates relating to prior periods increased net patient service revenue by $1,311 in 2010 and $13,482 in 2009. Laws and regulations governing government and other payment programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated third-party settlements could change by a material amount.

RUMC has filed formal appeals relating to the settlement of certain prior-year Medicare cost reports. The outcome of such appeals cannot be determined at this time. Any resulting gains will be recognized in the consolidated statements of operations when realized.

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. Compliance with these laws and regulations, specifically those relating to the Medicare and Medicaid programs, can be subject to review and interpretation as well as regulatory actions unknown and unasserted at this time. Federal government activity continues with respect to investigations and allegations concerning possible violations of regulations by healthcare providers, which could result in the imposition of significant fines and penalties as well as significant repayment of previously billed and collected revenues from patient services. Management believes that RUMC is in substantial compliance with current laws and regulations.

4. ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use and investments consist primarily of marketable equity and debt securities, which are held in investment pools to satisfy the investment objectives for which the assets are held or to satisfy donor restrictions. Investments in equity and debt securities with readily determinable fair values are designated as trading securities. RUMC holds an interest in a collective business trust that invests primarily in international equity and equity-related securities, which is also designated as a trading security. The trust is valued and priced daily, and liquidity is available on a daily basis. RUMC also holds certain investments in alternative securities consisting of hedge funds, real estate investments, and limited partnerships, which are designated as other-than-trading. Assets limited as to use by donor or time restriction also includes unconditional promises to give (see Note 14).

The composition of assets limited as to use and investments as of June 30, 2010 and 2009, consisted of the following:

	2010	2009
Cash and cash equivalents and short-term investments	$ 209,336	$ 187,250
Government securities	97,215	88,185
Corporate bonds	151,594	127,898
Equity securities and equity mutual funds	227,455	191,869
Equity commingled trust	10,578	10,787
Fixed-income mutual funds	74,350	68,353
Other fixed-income securities, including asset backed securities	124,597	77,122
Alternative investments designated as other-than-trading	56,981	51,758
Accrued interest and other	2,581	2,555
	954,687	805,777
Beneficial interest in trusts	23,320	22,075
Interest in cash collateral pools	56,125	32,565
Total assets limited as to use and investments — excluding pledges receivable	1,034,132	860,417
Net pledges receivable	55,396	53,726
Total assets limited as to use and investments	1,089,528	914,143
Less amount reported as current assets	(143,412)	(121,779)
Assets limited as to use and investments — noncurrent	$ 946,116	$ 792,364

Hedge funds are recorded at fair value, which represents RUMC's share of the net assets of these entities. Hedge fund investments also include certain liquidity restrictions that may require 60 to 65 days advance notice for redemptions. The fair value of hedge fund investments was $24,433 and $21,790 as of June 30, 2010 and 2009, respectively.

Real estate investments are recorded at cost of $7,712, less accumulated depreciation of $4,054 and $3,869 as of June 30, 2010 and 2009, respectively.

Investments in limited partnerships (principally private equity funds) that hold restricted securities and are not publicly traded are recorded at cost, adjusted for impairment losses, or on the equity basis based on RUMC's ownership interest percentage. Investments in limited partnerships recorded at cost amounted to $28,198 and $25,264 as of June 30, 2010 and 2009, respectively. The fair value of these partnership investments, as estimated by management of the limited partnerships based on audited financial statements and other relevant factors, was $29,447 and $23,685 as of June 30, 2010 and 2009, respectively. Investments in limited partnerships recorded on the equity basis amounted to $692 and $861 as of June 30, 2010 and 2009, respectively. As many factors are considered in arriving at the estimated fair value, RUMC routinely monitors and assesses methodologies and assumptions used in valuing these partnerships. As of June 30, 2010 and 2009, commitments for additional contributions to limited partnership funds totaled $20,319 and $24,530, respectively.

It is RUMC's intent to maintain a long-term investment portfolio to support its self-insurance program. Accordingly, the total return on investments restricted for the self-insurance program is reported in the consolidated statements of operations and changes in net assets in two segments. The investment return allocated to operations, reported in other revenue, is determined by a formula designed to provide a consistent stream of investment earnings to support the self-insurance provision reported in supplies, utilities, and other expense. This allocated return, 5% for the years ended June 30, 2010 and 2009, approximates the real return that RUMC expects to earn on its investments over the long term and totaled $7,386 and $8,209 for years ended June 30, 2010 and 2009, respectively. The difference between the total investment return and the amount allocated to operations is reported in nonoperating income (expense) and totaled $9,043 and $(8,617) for the years ended June 30, 2010 and 2009, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2010 and 2009, the total annual investment return on self-insured funds was approximately 11.6% and 0.3%, respectively.

RUMC participates in a securities lending arrangement whereby RUMC provides certain of its marketable securities to be loaned to independent third parties through a commercial bank. These loaned securities are collateralized against loss and/or default by a beneficial interest in various collateral pools maintained by the commercial bank. As of June 30, 2010 and 2009, RUMC loaned approximately $54,348 and $33,101, respectively, in securities and accepted collateral for these loans in the amount of $56,125 and $33,983, respectively, of which $56,125 and $33,983, respectively, represents cash collateral and is included in investments and long-term liabilities in the accompanying consolidated balance sheets. Of the $54,348 and $33,101 on loan as of June 30, 2010 and 2009, $54,348 and $16,727 represent donor-restricted endowment funds, respectively, and $0 and $16,374 represent unrestricted investments, respectively. Cash collateral received under the program is invested in a commingled fund managed by the commercial bank. Eligible instruments for investment in the collateral pool include, but are not limited to, government securities, asset-backed and mortgage-backed securities, and corporate debt, all of which are subject to quality and liquidity guidelines established by the fund. The collateral proceeds received under the securities lending program were reduced by a liability of $1,418 due to the commercial bank as of June 30, 2009, which represent RUMC's portion of a collateral deficiency in the securities lending collateral pool.

The composition and presentation of investment income and the change in unrealized gains and losses on investments for the years ended June 30, 2010 and 2009, are as follows:

	2010	2009
Interest and dividends	$ 17,059	$ 26,352
Net realized gains (losses) on sales of securities	6,740	(34,137)
Unrealized gains (losses) — unrestricted	20,406	(21,479)
Unrealized gains (losses) — restricted	28,112	(35,590)
	$ 72,317	$ (64,854)
Reported as:		
Other operating revenue	$ 7,938	$ 8,859
Nonoperating income (loss)	26,809	(29,615)
Restricted net assets — investment gains (losses)	9,458	(8,508)
Restricted net assets — change in unrealized gains (losses)	28,112	(35,590)
	$ 72,317	$ (64,854)

RUMC reported gains and losses on its alternative investments (designated as other-than-trading) as of 2010 and 2009 as follows:

	2010	2009
Reported as:		
Nonoperating income (loss)	$ 149	$ (578)
Restricted net assets — investment gains (losses)	1,598	(292)
Restricted net assets — change in unrealized gains (losses)	2,403	(2,829)
	$ 4,150	$ (3,699)

5. FAIR VALUE MEASUREMENTS

Under FASB guidance on fair value measurements, fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement and should be determined based on the assumptions that market participants would use in pricing the asset or liability in a hypothetical transaction at the measurement date

The guidance establishes a three-level valuation hierarchy which prioritizes the inputs to the valuation of an asset or liability at the measurement date based on transparency, as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 — Quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets and liabilities in nonactive markets, and inputs other-than-quoted prices that are observable for the asset or liability, either directly or indirectly.

Level 3 — Unobservable inputs for which there is little or no market data available and are based on the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

The level in the fair value hierarchy within which a fair value measurement falls is based on the lowest-level input that is significant to the fair value measurement.

RUMC's valuation methodologies used to measure financial assets and liabilities at fair value are outlined below. Where applicable, RUMC uses quoted prices in active markets for identical assets and liabilities to determine fair value (Level 1 inputs). This pricing methodology typically applies to domestic and international equities, exchange-traded mutual funds and open-ended mutual funds which redeem at net asset value (NAV) without restriction, and some futures, options, rights, and warrants depending on the pricing method used.

If quoted prices in active markets for identical assets and liabilities are not available, then quoted prices for similar assets and liabilities, quoted prices for identical assets or liabilities in inactive markets, or inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly, will be used to determine fair value (Level 2 inputs). Securities typically priced using Level 2 inputs include government bonds (including U.S. Treasuries and Agencies), corporate and municipal bonds, certain collateralized debt obligations, asset-backed securities and mortgage-backed securities, commercial paper, currency options, commingled funds where NAV is corroborated with observable data and some futures, options, rights, and warrants dependent on the pricing method. The fair value of RUMC's obligations under interest rate swap agreements are also included in Level 2 within the fair value hierarchy. Interest rate swaps are valued based on a determination of market expectations relating to the future cash flows associated with the swap contract using sophisticated modeling based on observable market-based inputs such as interest rate curves. The fair value of the obligation reported in RUMC's balance sheet includes an adjustment for the Obligated Group's credit risk, but may not be indicative of the value RUMC would be required to pay upon early termination of the swap agreements.

Assets and liabilities that are valued using significant unobservable inputs, such as extrapolated data, proprietary models, or indicative quotes that cannot be corroborated with market data are classified in Level 3 within the fair value hierarchy, which typically includes interests in alternative investments. The Level 3 classification primarily includes RUMC's interest in hedge funds carried at fair value. Hedge fund investments are valued based on RUMC's ownership interest in the NAV of the respective fund as estimated by the general partner. RUMC routinely monitors and assesses methodologies and assumptions used in valuing these interests. Hedge fund investments also include certain liquidity restrictions that may require 60 to 65 days advance notice for redemptions. Investments in limited partnerships (principally private equity funds) that hold restricted securities and are not publicly traded are recorded at cost or on the equity basis based on RUMC's ownership interest percentage. Investments in direct real estate investments are recorded at cost, less accumulated depreciation. The FASB guidance on fair value does not apply to investments carried at cost or on the equity basis.

The assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and 2009, are as follows:

Fair Value Measurements as of June 30, 2010	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**	**Equity and Cost Method Investments**	**Total Carrying Value**
Assets:						
Cash and cash equivalents and short-term investment	$ 4,725	$204,611	$ -	$ 209,336	$ -	$ 209,336
Fixed income securities:						
U.S. government securities	-	97,215	-	97,215	-	97,215
Corporate bonds {a}	15,667	135,558	369	151,594	-	151,594
Fixed income mutual funds	1,054	68,717	-	69,771	-	69,771
Asset backed securities and other {b}	108	124,027	462	124,597	-	124,597
Domestic equity securities:						
Large-cap value	76,031	-	-	76,031	-	76,031
Large-cap growth	78,496	-	-	78,496	-	78,496
Large-cap blend	2,409	-	-	2,409	-	2,409
Mid-cap value	11,892	-	-	11,892	-	11,892
Mid-cap growth	50	-	-	50	-	50
Mid-cap blend	145	-	-	145	-	145
Small-cap value	13,607	-	-	13,607	-	13,607
Small-cap growth	14,052	128		14,180	-	14,180
Small-cap blend	87	-	-	87	-	87
International equity securities:						
Value	17,182	1,343	-	18,525	-	18,525
Growth	115	10,578	-	10,693	-	10,693
Blend	362	-	-	362	-	362
Participant directed investments in mutual funds {c}	16,135	-	-	16,135	-	16,135
Alternative investments designated as other than trading:						
Hedge fund of funds {d}	-	-	24,433	24,433	-	24,433
Private equity partnerships {e}	-	-	-	-	28,890	28,890
Direct real estate	-	-	-	-	3,658	3,658
Accrued interest and other		2,581	-	2,581	-	2,581
	252,117	644,758	25,264	922,139	32,548	954,687
Beneficial interest in trusts	-	-	23,320	23,320	-	23,320
Interest in cash collateral pools	-	56,125	-	56,125	-	56,125
Total assets at fair value	$252,117	$700,883	$48,584	$1,001,584	$32,548	$1,034,132
Liabilities:						
Obligations under interest rate swap agreements	$ -	$ 10,808	$ -	$ 10,808	$ -	$ 10,808
Obligation to return collateral under securities lending program	-	56,125	-	56,125	-	56,125
Total liabilities at fair value	$ -	$ 66,933	$ -	$ 66,933	$ -	$ 66,933

{a} This class includes investment grade bonds of U.S. and international issuers from diverse industries.

{b} This class includes asset backed securities, including government mortgage backed securities, international government securities and agencies, municipal bonds, convertible equity, real estate funds, and some commercial paper, fixed income derivative options, and swaps.

{c} This class includes participant directed investments in mutual funds that allocate assets among equity and fixed income investments, and includes $4,579 in fixed income securities and $11,556 in equity securities at June 30, 2010.

{d} This class includes diversified investments in hedge funds with various strategies, including equity long/short, credit long/short, event-driven, relative value, global opportunities, and other multistrategy.

{e} This class includes investments in funds with diverse strategies, including approximately 41% in buyout and growth capital, 26% in distressed debt and special situations, 18% in diversified private equity fund of funds, 12% in venture capital, 2% in a direct equity investment, and 1% in co-investment private equity funds.

Fair Value Measurements as of June 30, 2009	Level 1	Level 2	Level 3	Total Fair Value	Equity and Cost Method Investments	Total Carrying Value
Assets:						
Cash and cash equivalents and short-term investment	$ 70,789	$116,461	$ -	$187,250	$ -	$187,250
Fixed income securities:						
U.S. government securities	-	88,185	-	88,185	-	88,185
Corporate bonds {a}	-	127,219	679	127,898	-	127,898
Fixed income mutual funds	1,165	63,295	-	64,460	-	64,460
Asset backed securities and other {b}	31	76,727	364	77,122	-	77,122
Domestic equity securities:						
Large-cap value	58,467	-	-	58,467	-	58,467
Large-cap growth	66,102	-	-	66,102	-	66,102
Large-cap blend	1,418	-	-	1,418	-	1,418
Mid-cap value	9,695	-	-	9,695	-	9,695
Mid-cap growth	-	-	-	-	-	-
Mid-cap blend	30	-	-	30	-	30
Small-cap value	12,750	-	-	12,750	-	12,750
Small-cap growth	16,251	-	-	16,251	-	16,251
Small-cap blend	31	-	-	31	-	31
International equity securities:						
Value	16,514	1,217	-	17,731	-	17,731
Growth	-	10,787	-	10,787	-	10,787
Blend	122	-	-	122	-	122
Participant directed investments in mutual funds {c}	13,165	-	-	13,165	-	13,165
Alternative investments designated as other than trading:						
Hedge fund of funds {d}	-	-	21,790	21,790	-	21,790
Private equity partnerships {e}	-	-	-	-	26,125	26,125
Direct real estate	-	-	-	-	3,843	3,843
Accrued interest and other	21	2,534	-	2,555	-	2,555
	266,551	486,425	22,833	775,809	29,968	805,777
Beneficial interest in trusts	-	-	22,075	22,075	-	22,075
Interest in cash collateral pools	-	32,565	-	32,565	-	32,565
Total assets at fair value	$266,551	$518,990	$44,908	$830,449	$29,968	$860,417
Liabilities:						
Obligations under interest rate swap agreements	$ -	$ 7,852	$ -	$ 7,852	$ -	$ 7,852
Obligation to return collateral under securities lending program	-	33,983	-	33,983	-	33,983
Total liabilities at fair value	$ -	$ 41,835	$ -	$ 41,835	$ -	$ 41,835

{a} This class includes investment grade bonds of U.S. and international issuers from diverse industries.
{b} This class includes asset backed securities, including government mortgage backed securities, international government securities and agencies, municipal bonds, convertible equity, real estate funds, and some commercial paper, fixed income derivative options, and swaps.
{c} This class includes participant directed investments in mutual funds that allocate assets among equity and fixed income investments, and includes $3,893 in fixed income securities and $9,272 in equity securities at June 30, 2009.
{d} This class includes diversified investments in hedge funds with various strategies, including equity long/short, credit long/short, event-driven, relative value, global opportunities, and other multistrategy.
{e} This class includes investments in funds with diverse strategies, including approximately 45% in buyout and growth capital, 27% in distressed debt and special situations, 13% in diversified private equity fund of funds, 11% in venture capital, 3% in a direct equity investment, and 1% in co-investment private equity funds.

A rollforward of the amounts in the balance sheet for financial instruments classified by RUMC within Level 3 of the fair value hierarchy, are as follows:

	Hedge Fund of Funds	Corporate Bonds	Asset Backed Securities & Other	Beneficial Interest in Trusts	Total Assets at Fair Value
Fair value — June 30, 2008	$ 25,077	$ 1,174	$ 2,872	$ 26,478	$ 55,601
Actual return on plan assets —					
Realized and unrealized gains	(3,287)	(319)	(373)	(4,403)	(8,382)
Purchases, sales, and settlements — net	-	(434)	164	-	(270)
Transfers in and/or out of Level 3	-	258	(2,299)	-	(2,041)
Fair value — June 30, 2009	$ 21,790	$ 679	$ 364	$ 22,075	$ 44,908
Actual return on plan assets —					
Realized and unrealized gains	2,643	129	294	1,245	4,311
Purchases, sales, and settlements — net	-	-	(285)	-	(285)
Transfers in and/or out of Level 3	-	(439)	89	-	(350)
Fair value — June 30, 2010	$ 24,433	$ 369	$ 462	$ 23,320	$ 48,584

For the year-ended June 30, 2010, realized and unrealized gains (losses) pertaining to Level 3 investments include $483 reported within excess of revenue over expenses and $2,583 and $1,245 reported within temporarily and permanently restricted net assets under investment gains (losses), respectively. For the year-ended June 30, 2009, realized and unrealized gains (losses) pertaining to Level 3 investments include $(1,304) reported within excess of revenue over expenses and $(2,675) and $(4,403) reported within temporarily and permanently restricted net assets under investment gains and losses, respectively.

6. ENDOWMENT FUNDS

RUMC adopted FASB guidance on net asset classification of funds subject to an enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA) (codified as ASU 958-205) during fiscal year 2009. The guidance also provides for enhanced disclosures about an organization's endowment funds. The State of Illinois enacted UPMIFA on June 30, 2009. As a result of the passage of UPMIFA, RUMC recognized a reclassification of $32,647 of unrestricted net assets to temporarily restricted net assets as of June 30, 2009. The $32,647 reclassified from unrestricted to temporarily restricted net assets represented the cumulative appreciation on the unrestricted portion of RUMC's endowment which under UPMIFA is to be classified as temporarily restricted net assets until appropriated for use. In addition, as a result of the passage of UPMIFA, beginning July 1, 2009, RUMC recognizes the investment gains and losses on RUMC's endowment within temporarily restricted net assets until appropriated for use. Prior to July 1, 2009, these investment gains and losses on the unrestricted portion of RUMC's endowment were recognized within the excess of revenue over expenses.

RUMC's endowment consists of approximately 341 individual funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law — RUMC has interpreted UPMIFA as requiring preservation of the original value of the gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, RUMC classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. The portion of the donor-restricted endowment fund that is not classified as permanently restricted net assets is classified as temporarily restricted net assets until those amounts are appropriated for expenditure by the organization in a manner consistent with the standards of prudence under UPMIFA. In accordance with UPMIFA, RUMC considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

(1) The duration and preservation of the fund
(2) The purposes of the organization and the donor-restricted endowment fund
(3) General economic conditions
(4) The possible effect of inflation and deflation
(5) The expected total return from income and the appreciation of investments
(6) Other resources of the organization
(7) The investment policies of the organization

Endowment Investment and Spending Policies — RUMC has adopted endowment investment and spending policies to preserve purchasing power over the long term and provide stable annual support to the programs supported by the endowment. The endowment investment pool provides support for professorships (36%), research (11%), free care (8%), education (8%), student financial aid (7%), scholarships and fellowships (6%), miscellaneous specific purposes (6%), and general purposes (18%).

The Investment Committee of the Board is responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long-term. The current asset allocation targets and ranges as well as the asset allocation as of June 30, 2010 and 2009, are as follows:

	Asset Allocation Targets			Percentage of Plan Assets	
Asset Class	**Minimum**	**Target**	**Maximum**	**2010**	**2009**
Domestic equity	40 %	45 %	50 %	44 %	40 %
International equity	5	10	15	8	9
Alternatives	10	15	20	21	21
Fixed income	25	30	35	27	30

Over long periods of time, RUMC expects the endowment fund to achieve a total annual return appropriate for the risk of the portfolio's investments and the needs of the institution. To satisfy its long-term rate of return objectives, RUMC relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The expected long-term rate of return target of the endowment given its current asset allocation structure is approximately 8.5% based on historical returns. Actual returns in any given year may vary from this amount. RUMC has established market-related benchmarks to evaluate the endowment fund's performance on an ongoing basis.

The Finance Committee of the Board approves the annual spending policy for program support. In establishing the annual spending policy, RUMC's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the Endowment. The spending rate was 3.5% and 5.0% for the fiscal years ended June 30, 2010 and 2009, respectively, and income from the endowment fund provided $14.1 million and $20.5 million of support for RUMC's programs during the fiscal years ended June 30, 2010 and 2009, respectively. The spending rate is based on a three-year moving average of ending market values for pooled assets.

Composition of Endowment Fund and Reconciliation — The endowment net asset composition by type of fund as of June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 162,105	$ 214,282	$ 376,387
Board-designated endowment funds	4,155	-	-	4,155
Total funds	$ 4,155	$ 162,105	$ 214,282	$ 380,542

Changes in endowment net assets for the fiscal year ended June 30, 2010, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 3,054	$142,714	$205,084	$350,852
Investment return:				
Investment income (loss)	(70)	5,747	-	5,677
Replenishment of endowment impairment			(3,622)	(3,622)
Net appreciation (realized and unrealized)	271	27,345	4,867	32,483
Total investment return	201	33,092	1,245	34,538
Contributions	900	-	7,953	8,853
Transfer of unrestricted endowment appreciation	-	(13,701)	-	(13,701)
Endowment net assets — end of year	$ 4,155	$162,105	$214,282	$380,542

The endowment net asset composition by type of fund as of June 30, 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 142,714	$ 205,084	$ 347,798
Board-designated endowment funds	3,054	-	-	3,054
Total funds	$ 3,054	$ 142,714	$ 205,084	$ 350,852

Changes in endowment net assets for the fiscal year ended June 30, 2009, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 47,635	$159,713	$208,205	$415,553
Investment return:				
Investment income	1,659	6,975	-	8,634
Recovery of endowment impairment			5,729	5,729
Net depreciation (realized and unrealized)	(10,441)	(39,283)	(10,132)	(59,856)
Total investment return	(8,782)	(32,308)	(4,403)	(45,493)
Contributions	-	-	1,282	1,282
Appropriation of endowment assets for expenditures	(3,152)	(17,338)	-	(20,490)
Transfer of unrestricted endowment appreciation	(32,647)	32,647	-	-
Endowment net assets — end of year	$ 3,054	$142,714	$205,084	$350,852

Fund Deficiencies — RUMC monitors the accumulated losses on permanently restricted investments to determine whether the endowment corpus has been impaired. A funding of $5,729 was required as of June 30, 2009, to restore the endowment corpus balance, of which $3,622 was recovered and replenished through unrestricted net assets during the year ended June 30, 2010.

7. LONG-TERM DEBT

RUMC's long-term debt is issued under a Master Trust Indenture, which established an Obligated Group comprised of RUMC, RCMC, and formerly RNS. Effective December 31, 2008, RNS withdrew from the Obligated Group and all debt outstanding under the Master Trust Indenture for which RNS was the primary obligor was defeased or redeemed. As of June 30, 2010 and 2009, the Obligated Group consists of RUMC and RCMC.

The Obligated Group is jointly and severally liable for the obligations issued under the Master Trust Indenture. Each Obligated Group member is expected to pay its allocated share of the debt issued on its behalf. As of June 30, 2010 and 2009, such issuances are secured by a pledge of gross receipts and a mortgage on primary healthcare facilities, as defined, of the Obligated Group members.

A summary of entity's long-term debt as of June 30, 2010 and 2009, is as follows:

	2010	2009
Fixed-rate debt — Illinois Finance Authority Revenue Bonds:		
Series 2009C, 6.375% to 6.625%, due annually on November 1, 2025 through 2039	$173,800	$ -
Series 2009A, 5% to 7.25%, due annually on November 1, 2013 through 2038	176,265	176,265
Series 2006B, 5% to 5.75%, due annually on November 1, 2012 through 2028	67,050	67,050
Series 1998A, 5% to 5.25%, due annually on November 1, 2011 through 2024	60,550	60,550
Total fixed-rate debt	477,665	303,865
Variable-rate debt — Illinois Finance Authority Revenue Bonds:		
Series 2008A Variable Rate Demand Bonds, issued December 2008, due in varying amounts through November 2045, secured by a letter of credit from The Northern Trust Company, with an average interest rate of 0.25% and 0.36% in fiscal year 2010 and 2009, respectively.	50,000	50,000
Series 1989A, due in varying amounts through October 2010, secured by a letter of credit from The Northern Trust Company, with an average interest rate of 0.25% and 1.27% in fiscal years 2010 and 2009, respectively.	4,600	9,645
Series 1985 C, D, and F, through the Revolving Fund Pooled Financing Program, due in February 2011, secured by letters of credit from JP Morgan Chase Bank National Association, with an average interest rate of 1.59% and 2.64% in fiscal years 2010 and 2009, respectively. The interest rates include 1.3% trustee and Illinois Finance Authority fees.	2,993	3,990
Total variable-rate debt	57,593	63,635
Total debt	535,258	367,500
Less current portion of long-term debt	(7,593)	(5,998)
Less unamortized premium	1,784	1,881
Less unamortized discount	(7,289)	(5,419)
Long-term debt	$522,160	$357,964
Estimated fair value based on quoted market prices and other relevant information	$604,061	$362,373

Annual maturities of outstanding long-term debt as of June 30, 2010, are as follows:

Years Ending June 30	
2011	$ 7,593
2012	4,550
2013	5,905
2014	11,320
2015	12,140
Thereafter	493,750
Total	$ 535,258

In addition to the debt described above, other Obligated Group members have additional outstanding debt issued under the Master Trust Indenture, for which RUMC is jointly and severally liable, totaling $92,528 and $86,553 as of June 30, 2010 and 2009, respectively. Additional outstanding debt included $91,255 and $65,055 of fixed-rate debt in 2010 and 2009, respectively; $1,273 and $1,698 of variable-rate debt in 2010 and 2009, respectively; and $19,800 in notes payable in 2009, refinanced through the issuance of long-term fixed rate debt in July 2010 as described below.

The Obligated Group's revenue bonds with variable interest rates are subject to remarketing provisions that require the Obligated Group to repurchase the bonds if they cannot be sold to a third party. The Obligated Group has entered into various letters of credit with commercial banks to provide funding for such repurchases, as necessary. Any amounts borrowed under these letters of credit as a result of a failed remarketing are due and payable more than one year from the date of such borrowing. The letters of credit have varying expiration dates. The letter of credit related to the Series 1989A variable rate debt expired, and the final principal payment was paid, in October 2010, the letter of credit related to the Series 1985 pool loans expires February 2011 (the date of final principal payment for these bonds), and the letter of credit related to the Series 2008A Variable Rate Demand Bonds (the "Series 2008A Bonds"), which are described in more detail below, expires December 2012. In the absence of such agreements, the Obligated Group would be required to replace them with similar credit arrangements, convert the related debt from variable to fixed interest rates, or fund required repurchases from available funds. Draws are routinely made from the letters of credit to pay off principal and interest, and are reimbursed to the commercial banks on the following business day. As of June 30, 2010 and 2009, there were no outstanding draws against the letters of credit related to the Series 1989A and Series 1985 Bonds, and as of June 30, 2010 and 2009, there was $10 in outstanding draws against the letter of credit related to the Series 2008A Bonds representing interest paid to the bondholders on July 1, 2010 and 2009.

On July 29, 2009, the Illinois Finance Authority (IFA) issued $173,800 of Series 2009C Fixed Rate Revenue Bonds, allocated to RUMC, and $26,200 of Series 2009D Fixed Rate Revenue Bonds, allocated to RCMC, on behalf of the Obligated Group (collectively, the "Series 2009C/D Bonds"). Proceeds from the Series 2009C/D Bonds were used to reimburse the Obligated Group for capital expenditures, establish a project fund for RUMC, refinance $19,800 in borrowings under a taxable line of credit used to reimburse RCMC for prior capital expenditures, and provide financing for costs of issuance and a debt service reserve fund. The Series 2009C/D Bonds are due on November 1, 2039, and are secured by a mortgage on certain real property and a pledge of the gross receipts of the Obligated Group.

On February 10, 2009, the IFA issued $176,265 of Series 2009A Fixed Rate Revenue Bonds, allocated to RUMC, and $35,355 of Series 2009B Fixed Rate Revenue Bonds, allocated to RCMC, on behalf of the Obligated Group (collectively, the "Series 2009 A/B Bonds"). Proceeds from the Series 2009 A/B Bonds were used to refinance the borrowings under a line of credit, reimburse the Obligated Group for capital expenditures, establish a project fund, and provide financing for costs of issuance, and a debt service reserve fund. The Series 2009A/B Bonds are due on November 1, 2038, and are secured by a mortgage on certain real property and a pledge of the gross receipts of the Obligated Group.

On December 9, 2008, the IFA issued $50,000 of Series 2008A Bonds on behalf of the Obligated Group, of which the entire issuance was allocated to RUMC. Proceeds from the Series 2008A Bonds were used to reimburse RUMC for capital expenditures, establish a project fund, and provide financing for costs of issuance. RUMC used $50,000 in notional amount of the interest rate swap agreements to synthetically fix the interest rate on the Series 2008A Bonds (see Note 8).

On July 22, 2008, the Obligated Group drew $52,328 against a line of credit to pay off $52,150 in borrowings against the standby bond purchase agreement supporting the Series 2006A Variable Rate Demand Revenue Refunding Bonds (the "Series 2006A Bonds") and related interest, of which $36,264 represents RUMC's allocated share, and also redeemed $4,450 of outstanding Series 2006A Bonds, which were allocated to RNS. On August 18, 2008, the Obligated Group drew $44,573 against a line of credit to extinguish the remaining $44,600 in Series 2006A Bonds related to RUMC and RCMC and pay related interest, of which $30,889 represents RUMC's allocated share. In connection with these redemptions, RUMC reported a loss on extinguishment of debt of $792 within nonoperating income (expense) during the year-ended June 30, 2009. During February 2009, the Obligated Group refinanced the $96,901 drawn against this line of credit with a portion of the proceeds of the Series 2009A/B Bonds.

The Obligated Group had a $50,000 short-term line of credit with a bank as of June 30, 2010 and 2009. This line of credit extends through February 2011. As of June 30, 2010, the Obligated Group has no amounts outstanding on this line of credit. As of June 30, 2009, the Obligated Group had $19,800 in outstanding draws under this line of credit as a result of a draw made by RCMC, which were refinanced with proceeds from the issuance of the Series 2009C/D Bonds in July 2009.

The Obligated Group also had a $100 million short-term line of credit with a bank as of June 30, 2010 and 2009. This line of credit extends through December 2010. Any borrowings on this short-term line of credit are due and payable in 180 days. As of June 30, 2010 and 2009, the Obligated Group had no amounts outstanding on this line of credit.

The Obligated Group is subject to certain financial covenants, including maintaining a minimum historical debt service coverage and maximum annual debt service coverage ratios; maintaining minimum levels of day's cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise disposing of Obligated Group property; and certain other nonfinancial covenants. The Obligated Group was in compliance with its debt covenants as of June 30, 2010 and 2009.

8. DERIVATIVES

Derivatives Policy — The Obligated Group uses derivative instruments, specifically interest rate swaps, to manage its exposure to changes in interest rates on variable rate borrowings. The use of derivative instruments exposes the Obligated Group to additional risks related to the derivative instrument, including market risk, credit risk, and termination risk as described below, and the Obligated Group has defined risk management practices to mitigate these risks, as appropriate.

Market risk represents the potential adverse effect on the fair value and cash flow of a derivative instrument due to changes in interest rates or rate spreads. Market risk is managed through ongoing monitoring of interest rate exposure based on set parameters regarding the type and degree of market risk that the Obligated Group will accept. Credit risk is the risk that the counterparty on a derivative instrument may be unable to perform its obligations during the term of the contract. When the fair value of a derivative contract is positive (an asset to the Obligated Group), the counterparty owes the Obligated Group, which creates credit risk. Credit risk is managed by setting stringent requirements for qualified counterparties at the date of execution of a derivative transaction and requiring counterparties to post collateral in the event of a credit rating downgrade or if the fair value of the derivative contract exceeds a negotiated threshold. Termination risk represents the risk that the Obligated Group may be required to make a significant payment to the counterparty, if the derivative contract is terminated early. Termination risk is assessed at onset by performing a statistical analysis of the potential for a significant termination payment under various scenarios designed to encompass expected interest rate changes over the life of the proposed contract. The test measures the ability to make a termination payment without a significant impairment to the Obligated Group's ability to meet its debt or liquidity covenants.

Board approval is required to enter or modify any derivatives transaction. RUMC has the authority to act on behalf of the Obligated Group as the group representative. The Obligated Group maintains a derivatives management plan for each derivatives transaction to facilitate communication of the risks, rewards, and exit strategies of each derivative instrument considered before execution. Management periodically reviews existing derivative positions as its risk tolerance and cost of capital changes over time.

Interest Rate Swap Agreements — In connection with the issuance of the Series 2006A Bonds, the Obligated Group entered into two interest rate swap agreements (the "Swap Agreements") to synthetically fix the interest payments on the Series 2006A bonds. Under the Swap Agreements, the Obligated Group makes fixed rate payments equal to 3.945% to the swap counterparties and receives variable rate payments equal to 68% of LIBOR (.2371% as of June 30, 2010) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2010 and 2009, the Swap Agreements had a notional amount of $96,750 outstanding ($48,375 in notional amount with each counterparty). The counterparties to the Swap Agreements are Morgan Stanley Capital Services, Inc. and Citibank, N.A. (together with Morgan Stanley Capital Services, Inc., the "Swap Counterparties"), which are affiliates of Morgan Stanley & Co. Incorporated and Citigroup Global Markets. The Swap Agreements each expire on November 1, 2035, and amortize annually commencing in 2012. The Swap Agreements are secured by Obligations issued under the Master Indenture.

The refinancing of the Series 2006A Bonds resulted in the existing Swap Agreements no longer being associated with the Series 2006A debt. However, the Obligated Group used $50,000 in notional amount of the Swap Agreements to synthetically fix the interest on the Series 2008A Bonds and the remaining $46,750 in notional amount was unhedged at June 30, 2010 and 2009. RUMC's allocated share of the hedged and unhedged swap was $50,000 and $17,050, respectively, as of June 30, 2010 and 2009. RUMC's share of the Swap Agreements had a fair value of $(10,808) and $(7,852) as of June 30, 2010 and 2009, respectively, reported in other long-term liabilities in the accompanying consolidated balance sheets. The fair value of the Swap Agreements reported in RUMC's balance sheet as of June 30, 2010 and 2009, includes an adjustment for the Obligated Group's credit risk and may not be indicative of the termination value that RUMC would be required to pay upon early termination of the Swap Agreements.

Management has not designated the Swap Agreements as hedging instruments. Amounts recorded in the accompanying consolidated statement of operations and changes in net assets for the Swap Agreements allocated to RUMC for the fiscal years ended June 30, 2010 and 2009, were as follows:

		Fiscal Year Ended June 30	
	Reported as	**2010**	**2009**
Change in fair value of interest rate swaps	Nonoperating income (expense)	$ (2,956)	$ (3,134)
Net cash payments on interest rate swaps	Interest expense	(2,523)	(1,975)

The Swap Agreements also require either party to post collateral in the form of cash and certain cash equivalents to secure potential termination payments. The amount of collateral that is required to be posted is based on the relevant party's long-term credit rating. Based on its current rating, the Obligated Group is required to post collateral with the Swap Counterparties in the event that the fair value of the Swap Agreements exceeds $(25) million in aggregate or $(12.5) million for each Swap Agreement. To date, the Obligated Group has not been required to post any collateral, but may be required to post collateral at any time should the valuation of the Swap Agreements decline.

9. POSTRETIREMENT BENEFITS

Defined Benefit Pension Plans and Postretirement Healthcare Plans — RUMC has two defined benefit pension plans, the Retirement Plan and the Pension Plan (collectively, the "Defined Benefit Pension Plans"), covering substantially all of its employees. Benefits are based on the years of service and the employee's final average earnings, as defined. The Defined Benefit Pension Plans' assets and obligations are measured as of June 30 (the "Measurement Date") each year. Employer contributions were $35,144 and $26,855 during 2010 and 2009, respectively. The actuarial cost method used to compute the Defined Benefit Pension Plans' liabilities and expenses is the projected unit credit method.

In addition to the pension programs, RUMC also provides postretirement healthcare benefits for certain employees (the "Postretirement Healthcare Plans"). Further benefits under the Postretirement Healthcare Plans have been curtailed.

Obligations and Funded Status — The Defined Benefit Pension Plans and Postretirement Healthcare Plans as of the Measurement Date and amounts recognized in RUMC's consolidated balance sheets and statements of operations and changes in net assets for 2010 and 2009, are as follows:

	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2010	2009	2010	2009
Actuarial present value of benefit obligations — accumulated benefit obligation	$ 780,775	$ 602,490	$ 9,049	$ 9,333
Change in projected benefit obligations:				
Projected benefit obligation — beginning of measurement period	$ 614,299	$ 573,739		
Service costs	13,636	13,192		
Interest costs	41,089	39,525		
Actuarial losses (gains)	154,181	10,774		
Benefits paid	(24,637)	(22,931)		
Projected benefit obligation — end of measurement period	$ 798,568	$ 614,299		
Change in plan assets:				
Fair value of plan assets — beginning of measurement period	$ 483,624	$ 512,236	$ -	$ -
Actual return on plan assets	81,539	(32,536)		
Employer contributions	35,144	26,855	529	402
Plan participant contributions	-	-	555	600
Benefits paid	(24,637)	(22,931)	(1,084)	(1,002)
Fair value of plan assets — end of measurement period	$ 575,670	$ 483,624	$ -	$ -
Plan assets less than projected benefit obligation	$(222,898)	$(130,675)	$ -	$ -
Accrued benefit liability — beginning of year	$(130,675)	$ (61,503)	$(9,333)	$(10,155)
Fiscal year activity:				
Net periodic pension cost	(25,794)	(14,385)	1,288	857
Employer contributions	35,144	26,855	529	402
Postretirement-related changes other than net periodic postretirement cost:				
Actuarial loss arising during 2009	(112,799)	(85,207)	463	1,215
Reclassification adjustment for losses reflected in periodic expense in 2009	11,226	3,565	(1,996)	(1,652)
Accrued benefit liability — end of year	$(222,898)	$(130,675)	$(9,049)	$ (9,333)
Net periodic pension cost comprised the following:				
Service cost	$ 13,636	$ 13,193	$ 101	$ 109
Interest cost on projected benefit obligation	41,089	39,526	608	686
Expected return on plan assets	(40,156)	(41,898)	-	-
Amortization of prior service cost and other actuarial amounts	(165)	(165)	(294)	(294)
Recognized actuarial loss (gain)	11,390	3,729	(1,703)	(1,358)
Net periodic pension cost (credit)	$ 25,794	$ 14,385	$(1,288)	$ (857)

The postretirement and pension liability is recognized in the statement of financial position as of June 30, 2010 and 2009 as follows:

	Defined Benefit Pension Plans		Postretirement Healthcare Benefits		Total	
	2010	2009	2010	2009	2010	2009
Accrued expenses	$ -	$ -	$ 719	$ 910	$ 719	$ 910
Noncurrent liabilities	222,898	130,675	8,330	8,423	231,228	139,098
Total	$222,898	$130,675	$9,049	$9,333	$231,947	$140,008

In accordance with FASB guidance regarding accounting for defined benefit pension and other postretirement plans, all previously unrecognized actuarial losses and prior service costs are reflected in the consolidated balance sheets. The postretirement related charges other than net periodic benefit cost related to the pension and postretirement healthcare plans are included as a separate charge to unrestricted net assets and total $(103,106) and $(82,079) for fiscal years 2010 and 2009, respectively. For fiscal year 2010, this amount includes actuarial losses arising during fiscal year 2010 of $(112,336) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2010 of $9,230. For fiscal year 2009, this amount includes actuarial losses arising during fiscal year 2009 of $(83,992) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2009 of $1,913.

Assumptions — Assumptions used to determine benefit obligations at the measurement date and net periodic benefit costs are as follows:

	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2010	**2009**	**2010**	**2009**
Discount rate — benefit obligation	5.45 %	6.85 %	5.45 %	6.85 %
Discount rate — pension expense	6.85	7.05	6.85	7.05
Rate of increase in compensation levels	5.47/4.95*	5.21	-	-
Expected long-term rate of return on plan assets	7.75	7.75	-	-
Health care cost trend rate (initial)	-	-	8.10	9.00

* Represents rate of increase in compensation levels on the Retirement Plan and Pension Plan, respectively.

The discount rate used by RUMC is based on a spot interest rate yield curve based on a broad group of corporate bonds rated AA or better as of the measurement date (June 30, 2010). RUMC uses this yield curve and the estimated payouts of the plans to develop an aggregate discount rate. The estimated payouts are the sum of the payouts under the Defined Benefit Pension Plans and the Postretirement Healthcare Plans.

RUMC's overall expected long-term rate of return on assets is 7.75% for 2010 and 2009. The expected long-term rate of return is based on the total portfolio of the Defined Benefit Pension Plans' investments rather than the accumulation of returns on individual asset categories. For the year-ended June 30, 2010 and 2009, the actual rate of return on plan assets was 17.6% and (5.1%), respectively.

Plan Assets — RUMC's investment objective for its defined benefit pension plans is to achieve a total return on plan assets that meets or exceeds the return on the plan's liability over a full market cycle with consideration of the plan's current funded status. Investment risk is effectively managed through diversification of assets for a mix of capital growth and capital protection across various investment styles. The asset allocation policy reflects this objective with allocations to return generating assets (e.g. domestic and international equities and alternative investments, consisting of hedge funds and limited partnerships) and interest rate hedging assets (e.g. fixed income securities).

The weighted-average asset allocations of RUMC's defined benefit pension plan assets as of June 30, 2010 and 2009, were as follows:

Asset Category	Target Allocation 2010	Percentage Plan Assets 2010	Percentage Plan Assets 2009
Domestic equity securities	30 %	28 %	31 %
International equity securities	10	6	7
Alternative investment securities	10	8	8
Fixed income securities	50	57	53
Money market securities	-	1	1
Total	100 %	100 %	100 %

Fair value methodologies used to assign plan assets to levels within FASB's valuation hierarchy are consistent with the inputs described in Note 5. The fair value of RUMC's defined benefit pension plan assets as of June 30, 2010, by investment style, are as follows:

Fair Value Measurements as of June 30, 2010	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Cash and equivalents and short-term investments	$ -	$ 4,022	$ -	$ 4,022
Fixed income securities:				
U.S. government securities and agencies	-	29,005	-	29,005
Corporate bonds {a}	-	270,899	479	271,378
Asset-backed securities & other {b}	-	26,712	-	26,712
Domestic equity securities:				
Large-cap value	41,199	15,881	-	57,080
Large-cap growth	51,389	-	-	51,389
Mid-cap value	17,637	-	-	17,637
Small-cap value	14,772	-	-	14,772
Small-cap growth	15,094	138		15,232
International equity securities:				
Value	20,960	1,655	-	22,615
Growth		12,802	-	12,802
Alternative investments:				
Hedge fund of funds {c}	-	-	26,390	26,390
Private equity partnerships {d}	-	-	21,106	21,106
Accrued interest and other	1,455	4,075	-	5,530
Total plan assets	$ 162,506	$ 365,189	$ 47,975	$ 575,670

{a} This class includes investment grade bonds of U.S. and international issuers from diverse industries.

{b} This class includes asset backed securities, including government mortgage backed securities, international government securities and agencies, municipal bonds, convertible equity, real estate funds, and some commercial paper, fixed income derivative options, and swaps.

{c} This class includes diversified investments in hedge funds with various strategies, including equity long/short, credit long/short, event-driven, relative value, global opportunities, and other multistrategy.

{d} This class includes investments in funds with diverse strategies, including approximately 46% in buyout and growth capital, 21% in diversified fund of funds, 17% in distressed debt and special situations, 14% in venture capital, 1% in co-investment private equity funds, and 1% in real estate.

A rollforward of the amounts in the balance sheet for financial instruments classified by RUMC within Level 3 of the fair value hierarchy, are as follows:

	Corporate Bonds	Asset-Backed Securities & Other	Hedge Fund of Funds	Private Equity Partnerships	Total Assets at Fair Value
Fair value at June 30, 2009	$ 993	$ 1,387	$ 23,541	$ 17,018	$ 42,939
Actual return on plan assets:					
Realized and unrealized gains (losses)	189	40	2,849	2,636	5,714
Purchases, sales, and settlements	466	(1,427)	-	1,452	491
Transfers in and/or out of Level 3	(1,169)	-	-	-	(1,169)
Fair value at June 30, 2010	$ 479	$ -	$ 26,390	$ 21,106	$ 47,975

Cash Flows — RUMC expects to make estimated benefit payments from its Defined Benefit Pension Plans and Postretirement Healthcare Plans for the years ending June 30 as follows:

	Defined Benefit Pension Plans	Postretirement Healthcare Plans
Expected contributions in 2011	$ 34,544	$ 719
Estimated benefit payments:		
2011	$ 28,986	$ 719
2012	32,164	862
2013	35,844	916
2014	39,109	944
2015	43,297	938
2016 through 2020	268,041	4,070
Total	$ 447,441	$ 8,449

Tax-Deferred Savings Plan — RUMC maintains a 403(b) tax-deferred retirement savings plan for all employees. Employee contributions are made to the plan voluntarily and on a pretax basis. Maximum annual contributions are limited by federal regulations. RUMC provides all eligible participants a matching contribution up to 3% of an employee's salary. All participants are fully vested in the value of the matching contribution after three years of vesting service. Matching contributions of $8,778 and $8,950 were made to this plan in the years ended June 30, 2010 and 2009, respectively.

Supplemental Retirement Plans — RUMC sponsored a nonqualified supplemental defined benefit retirement plan for certain management employees. The supplemental plan is unfunded. Benefits under the supplemental plan, which were curtailed as of December 31, 2004, are paid when incurred from operating funds.

Effective January 1, 2007, RUMC adopted a new Supplemental Executive Retirement Plan (SERP). The new SERP is a supplemental defined contribution plan for certain management employees. During 2010 and 2009, assets were set aside equal to SERP defined contribution liabilities for calendar years 2005 through 2009. The SERP assets and liabilities totaling $8,371 and $6,988 as of June 30, 2010 and 2009, respectively, are included in marketable securities and other liabilities in the consolidated balance sheet.

457(b) Defined Contribution Plan — RUMC also sponsors a noncontributory Section 457(b) defined contribution plan (the “457(b) Plan”) covering selected employees, in which participants may contribute a percentage of qualifying compensation up to certain limits as defined by the 457(b) Plan. The 457(b) Plan assets and liabilities, totaling $7,090 and $5,426 as of June 30, 2010 and 2009, respectively, are included in marketable securities and other long-term liabilities, respectively, in the consolidated balance sheets. The assets of this 457(b) Plan are subject to the claims of the general creditors of RUMC.

10. CONCENTRATION OF CREDIT RISK

RUMC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net patient accounts receivable from patients and third-party payors as of June 30, 2010 and 2009, was as follows:

	2010	2009
Medicare	10 %	9 %
Medicaid	14	17
Managed care	63	61
Commercial	2	3
Self-pay	11	10
Total	100 %	100 %

11. CONTINGENCIES

Professional Liability — RUMC maintains insurance programs, including both self-insured and purchased insurance arrangements, for certain professional liability claims. Self-insured risks are retained in varying amounts according to policy year. For the years ended June 30, 2010 and 2009, RUMC retained self-insured risk of $20,000 on the first case, $15,000 on the second case, and $10,000 on any additional cases. RUMC also maintains excess liability insurance coverage with combined limits of $80,000 per occurrence and in the aggregate. Amounts above specified self-insured limits are insured through purchased insurance policies. Insurance is purchased on a claims-made basis. RUMC has established a trust fund to pay claims and related costs.

RUMC has employed an independent actuary to estimate the ultimate costs of claim settlements. Self-insured liabilities are based on the actuarial estimate of losses using RUMC’s actual payout patterns and various other assumptions and are recorded at the estimated present value of self-insured claims that will be settled in the future. If the present value method was not used, RUMC’s liability for self-insured claims would be approximately $44,263 and $44,262 higher than the amounts recorded on the consolidated balance sheets as of June 30, 2010 and 2009, respectively. The discount rate used in calculating the present value was 4% and 5% in 2010 and 2009, respectively.

During fiscal years 2010 and 2009, actual experience on RUMC’s self-insured claims was better than projected. RUMC has experienced significant reserve adjustments in its self-insurance liability each fiscal year since 2006 as a result of favorable claims experience. The amount of the reserve adjustments were $6,412 and $24,117 in the years ended June 30, 2010 and 2009, respectively, which reduced supplies, utilities, and other expense in the consolidated statements of operations and changes in net assets in each respective year.

RUMC is subject to various other regulatory investigations, legal proceedings, and claims which are incidental to its normal business activities. In the opinion of management, the amount of ultimate liability with respect to professional liability matters and other actions will not have a material adverse effect on the consolidated financial position or results of operations of RUMC.

Guarantee of Indebtedness — RUMC provided a $1,350 guarantee on a $3,500 loan through the IFA Pooled Financing Program for RML Specialty Hospital (RML), a joint venture with another healthcare provider. Effective August 1, 2010, RUMC sold its remaining partnership interest in RML (see Note 20).

Self-Funded Medical Benefit Plans — Effective January 1, 2005, RUMC sponsors self-funded medical benefit plans covering substantially all of its employees and their dependents. The medical benefit expense is based on actual medical and prescription claims paid, administration fees, and provisions for unpaid and unreported claims at year-end. As of June 30, 2010 and 2009, the estimated liability for unpaid and unreported claims was $7,082 and $8,881, respectively, included in accrued expenses. The medical benefit expense was $47,456 and $44,964 for the years ended June 30, 2010 and 2009, respectively.

12. LEASE COMMITMENTS AND FINANCING OBLIGATIONS

Obligations Under Capital Leases and Deferred Financing Arrangements — RUMC is party to a deferred financing arrangement with a third party to lease a medical office building adjacent to ROPH for a remaining period of 13 years. Under the terms of this arrangement, the annual expense, excluding maintenance and repairs, taxes, and other operating expenses was approximately $4,012 in 2010 and $3,905 in 2009 and increases each year by 2.75%.

In September 2005, RUMC entered into a long-term contract with a vendor for the licensing, implementation, and maintenance of a clinical, patient management, and patient accounting system. Under terms of the contract, RUMC will pay licensing fees over an initial 6.25-year term and, at the end of the initial term, RUMC has the right to convert the arrangement to a perpetual license for a fee. The arrangement has been treated in the manner of a capital lease, with the present value of future license payments included in equipment and the related obligation included in obligations under capital lease. The asset has a net book value of approximately $4,473 and $5,721 as of June 30, 2010 and 2009, respectively. In addition to licensing fees, RUMC pays maintenance fees for support services received under terms of the agreement. Related costs are recognized as expenses when incurred. Maintenance fees were not significant in 2009.

RUMC is also party to other capital lease arrangements relating to medical and office equipment. Expiration of these leases ranges from 2010 to 2012.

Total future minimum payments under these capital lease and deferred financing arrangements, together with the present value of these minimum payments, as of June 30, 2010, are as follows:

Years Ending June 30	
2011	$ 6,307
2012	6,325
2013	5,560
2014	4,935
2015	4,725
Thereafter	36,027
Total minimum payments	63,879
Less amount representing interest	(22,818)
Net present value of capital lease and deferred financing arrangement obligations	41,061
Less current portion included in accounts payable	(3,109)
Long-term portion	$ 37,952

Obligations Under Operating Leases — RUMC is party to various noncancelable operating leases with third parties. Rental expense under these noncancelable leases was approximately $10,845 and $9,814 for 2010 and 2009, respectively.

Total minimum payments under noncancelable operating leases as of June 30, 2010, are as follows:

Years Ending June 30	
2011	$ 8,064
2012	6,553
2013	5,940
2014	3,121
2015	2,449
Thereafter	16,336
Total	$ 42,463

13. CAMPUS TRANSFORMATION COMMITMENTS

In fiscal year 2004, RUMC began a Campus Transformation project that currently includes the addition of new facilities, including a new hospital, and the renovation of existing facilities. The project is driven by a redesign of patient care processes to improve efficiency and patient safety and to provide a more inviting environment to physicians, patients, and visitors. The project is estimated to cost approximately $1,071,000 to complete over a 13-year period (fiscal year 2004 to fiscal year 2016). As of June 30, 2010, $594,000 has been spent on the campus redevelopment plan and construction commitments outstanding were $145,700.

14. PROMISES TO CONTRIBUTE

Contributions receivable as of June 30, 2010 and 2009, included the following unconditional promises to give:

	2010	2009
Capital campaign	$ 61,699	$ 60,173
Restricted to future periods	2,054	2,085
Unconditional promises to give before unamortized discount and allowance for uncollectibles	63,753	62,258
Less unamortized discount	(6,747)	(6,956)
Less allowance for uncollectibles	(1,610)	(1,576)
Net unconditional promises to give	$ 55,396	$ 53,726
Amounts due in:		
Less than one year	$ 14,480	$ 16,097
One to five years	29,207	25,061
More than five years	20,066	21,100
Total	$ 63,753	$ 62,258

Net unconditional promises to give are reported in assets limited by donor or time restriction in the accompanying consolidated balance sheets. A discount rate of 0.12% and 0.20% was applied to new pledges given during 2010 and 2009, respectively.

In addition, RUMC has received conditional promises to contribute that are not recognized as assets in the consolidated balance sheet as of June 30, 2010. The total is not considered material as of June 30, 2010.

15. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily restricted net assets are those whose use by RUMC has been limited by donors to a specific time period or purpose and represent amounts that are to be used for capital acquisitions or operating purposes. Temporarily restricted net assets available for the following purposes or periods as of June 30, 2010 and 2009, are as follows:

	2010	2009
Health care services:		
Construction and purchase of equipment	$ 42,051	$ 39,546
Indigent care	1,406	1,313
Health education	4,406	4,396
Women's board	9,142	8,401
Specific-purpose pledges	34,103	36,081
Other special purposes	44,756	47,574
Unappropriated endowment appreciation	36,279	32,647
Restricted investment income	125,826	108,602
Total	$ 297,969	$ 278,560

Permanently restricted net assets are those required by donors to be maintained by RUMC in perpetuity. Investment income earned on permanently restricted net assets is recorded as temporarily restricted net assets until appropriated for use (see Note 6).

During 2010 and 2009, net assets were released from donor restrictions by purchasing property and equipment of $18,773 and $15,047, respectively, and incurring expenses of $30,497 and $31,976, respectively, both of which satisfied the restricted purposes of the donors. Net assets released from restriction used in operations are included in other revenue in the accompanying consolidated statements of operations.

16. JOINT VENTURES AND OTHER AFFILIATIONS

RUMC has affiliations with and interests in other organizations, which are not consolidated. These organizations primarily operate inpatient and outpatient health services and managed care contracting services.

Investments in unconsolidated joint ventures, accounted for on the equity basis, totaled $12,158 and $12,023 as of June 30, 2010 and 2009, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures was $630 and $559 in 2010 and 2009, respectively, and is included in other revenue in the accompanying consolidated statements of operations and changes in net assets. RUMC received $560 and $109 in annual distributions from RML Specialty Hospital during 2010 and 2009, respectively, reflected in the consolidated statements of cash flows within operating activities. Subsequent to June 30, 2010, RUMC sold its partnership share in RML Specialty Hospital (see Note 20).

	2010			
	Equity Ownership Interest	**Venture Net Revenue**	**Equity Interest Recognized by RUMC**	**Income Recognized by RUMC**
RML Specialty Hospital	49.5 %	$ 51,837	$ 9,917	$ 869
Rush Health Associates	50.0	12,420	2,149	(237)
Rush System for Health, Inc.	40.0	1,307	92	(2)
Total			$ 12,158	$ 630

	2009			
	Equity Ownership Interest	**Venture Net Revenue**	**Equity Interest Recognized by RUMC**	**Income Recognized by RUMC**
RML Specialty Hospital	49.5 %	$ 44,026	$ 9,543	$ 574
Rush Health Associates	50.0	8,731	2,386	(15)
Rush System for Health, Inc.	40.0	1,206	94	-
Total			$ 12,023	$ 559

17. FUNCTIONAL EXPENSES

Expenses related to the patient care, education, and research services provided by RUMC for the years ended June 30, 2010 and 2009, were as follows:

	2010	**2009**
Healthcare	$ 1,057,314	$ 974,593
University services, including research	175,935	163,974
General and administrative	57,209	99,984
Illinois Medicaid hospital assessment	26,306	26,306
Total	$ 1,316,764	$ 1,264,857

In fiscal year 2010, RUMC, for purposes of this disclosure, reclassified certain patient care support expenses related to admitting and outpatient registration, program management, receiving and supply distribution, information clinical services, dietary, and other services from general and administrative to healthcare.

18. FICA TAX REFUND SETTLEMENT

RUMC has historically paid FICA tax on medical residents as if they were employees. In March 2010, the IRS made an administrative determination that teaching hospitals and medical residents are exempt from paying FICA taxes under the student exception for time spent in a residency program prior to April 1, 2005, when new IRS regulations imposing a specific FICA requirement for medical residents were put into place. Teaching hospitals and residents are eligible for a refund of FICA taxes paid, plus interest. In June 2010, RUMC recorded a FICA tax receivable of $19,690 reported in other accounts receivable in the accompanying balance sheet for June 30, 2010, representing the recovered cost of FICA taxes previously paid and expensed. The FICA refund is reported in salaries, wages, and employee benefits in the accompanying consolidated statement of operations and changes in net assets for fiscal year 2010. RUMC has elected not to record any income related to the interest component of the FICA refund and will recognize the interest when received.

19. ASSET SALES

During fiscal year 2010, RUMC completed construction of a new ambulatory building designed to house the orthopedics practices at RUMC and certain hospital support functions. A portion of this building was sold to a private physician practice for $26,079 and is reported in the accompanying consolidated statement of cash flows within investing activities.

20. SUBSEQUENT EVENTS

RML Health Providers, Limited Partnership ("RML") was a limited partnership between RUMC and Loyola University Medical Center ("Loyola") that operated RML Specialty Hospital, a 174-licensed bed, long-term acute care hospital in Hinsdale, Illinois. Both RUMC and Loyola owned a 49.5% limited partnership interest in RML. RMLHP Corporation (RMLHP) held a 1% interest as the general partner of RML and RUMC and Loyola were equal members of RMLHP. During fiscal year 2010, RUMC, Loyola, Advocate Health and Hospitals Corporation ("Advocate"), and RML signed an Affiliation Agreement pursuant to which certain assets of Advocate Bethany Hospital, Advocate's only long-term acute care hospital, would be purchased by RML. Effective July 1, 2010, Advocate purchased limited partnership interests from RUMC and Loyola resulting in Advocate, Loyola, and RUMC each holding 33% limited partnership interests in RML. Advocate also became a member of RMLPH. As a result, RML then became the operator of both RML Specialty Hospital and Advocate Bethany Hospital. Effective August 1, 2010, RUMC recognized an option to sell its remaining partnership share in RML and received a promissory note. This promissory note can be converted to cash on August 1, 2011.

In addition, RUMC will be relieved of its $1,350 guarantee of indebtedness on a $3,500 loan through the IFA Pooled Financing Program for RML (see Note 11) effective on December 4, 2010, upon RML delivering a certificate of no bankruptcy to the lender.

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SUPPLEMENTAL SCHEDULES

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Rush University Medical Center:

We have audited the consolidated financial statements of Rush University Medical Center and Subsidiaries (RUMC) as of and for the year ended June 30, 2010, and have issued our report thereon dated October 22, 2010, which expresses a qualified opinion due to the exclusion of certain related entities from the consolidated financial statements. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered RUMC's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of RUMC's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of RUMC's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether RUMC's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Audit Committee, the Board of Trustees, management of RUMC, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 22, 2010

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Trustees of
Rush University Medical Center:

Compliance

We have audited Rush University Medical Center and Subsidiaries' (RUMC) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of RUMC's major federal programs for the year ended June 30, 2010. RUMC's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of RUMC's management. Our responsibility is to express an opinion on RUMC's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and U.S. Office of Management and Budget (OMB) Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about RUMC's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of RUMC's compliance with those requirements.

In our opinion, RUMC complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

The management of RUMC is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered RUMC's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of RUMC's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the Audit Committee, the Board of Trustees, management of RUMC, federal awarding agencies, and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

October 22, 2010

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
Research and Development:			
U.S. Department of Health and Human Services:			
National Institute of Health (NIH)	93.RD		$36,758,935
NIH — American Recovery Reinvestment Act (ARRA)	93.701		5,292,559
ARRA — Passed through the National Science Foundation:			
Effective Communication with robotic assistants for the elderly: Integrating Speech Vision and Haptics	47.082	IIS-0905239	27,842
ARRA — Passed through the National Science Foundation:			
Bioluminescence in Dinoflagellates triggered by voltage-gated Proton Channels	47.082	MCB-0943362	62,925
ARRA — Passed through the University of Iowa:			
GBV-C effects on CD4 activation and expansion	93.701	R01 AI058740	76,079
ARRA — Passed through SUNY Research Foundation:			
Role of Soluble and Cellular Biomarkers in HIV Disease Progression in the WIHS	93.701	U01AI031834	104,678
ARRA — Passed through the University of Utah:			
Modulation of surface markers by HIV-1 VPU/VPR and sensitivity to NK cells lysis	93.701	R21 AI081681	53,819
ARRA — Passed through Social and Scientific Systems:			
Community Health Promotor Program	93.701	U01 AI068636	19,801
ARRA — Passed through the University of North Carolina:			
UNC Disabilities Research Center	93.701	P30 HD003110	23,007
ARRA — Passed through the University of California:			
The Epilepsy/Genome Project	93.701	U01 NS053998	15,440
ARRA — Passed through Brigham and Women's Hospital:			
Partial Meniscectomy vs Nonoperative Mgmt in Meniscual tear with OA: AN RCT	93.701	R01 AR05557	28,297
ARRA — Passed through the University Pittsburgh:			
Genome wide association analysis of Alzheimer's Disease	93.701	RC2 AG036528	35,220
Passed through the University of Rochester:			
A longitudinal Observational follow up of the Precept Study Cohort	93.853	5 U01 NS050095	15
Prospective Huntington at Risk Observation Study	93.172	5 R01 HG002449-05	3,693
Blood Alpha Synuclein, gene expression and smell testing as diagnostic and prognostic biomarkers in Parkinson's disease	12.420	W81XWH07-1-0007	29
Passed through Hektoen Institute:			
Women's Interagency HIV Study	93.856	AI34993	93,532
Women's Interagency HIV Study	93.856	AI34993	133,915
Women's Interagency HIV Study	93.856	AI34993	184,535
Gender difference in Antibody Dependent Cell-Medicated Cytotoxicity against HIV	93.855	AI034993	3,027
Trust in Healthcare and Racial Disparities in an aging population	93.866	R01 AG033172	189,023
Passed through Columbia University:			
Genetic Epidemiological Studies of Parkinson's Disease	93.853	NS36630	712
Genetics Consortium for late onset Alzheimer's Disease	93.866	U24 AG026395	117,350
Passed through Mt. Sinai:			
Stoke and APL: Community based Clinicopathological study	93.837	R01 HL096944	167,233
Passed through Northwestern University:			
Development of Tissue Explant Models for Microbicide Evaluation	93.855	R33 AI076968	49,352
Synaptic Substrates of Age-Dependent memory deficits	93.866	R01 AG017139	78,983
HIV/AIDS Clinical Trials	93.855	U01 AI069471	856,651
Chicago Community acquired Pneumonia consortium	93.185	U18 IP000301	180,258
Molecular Neuropathology and Mechanisms of Bace1 Elevation in Alzheimer's Disease	93.866	1 R01 AG030142	25,825
Magnetic Resonance in the Peripheral Arterial disease	93.837	R01 HL083064	2,611

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
Passed through Jaeb Center for Health Research:			
Comparison of time Domain oct and Spectral Domain Oct Retinal thickness measurement in Diabetic Macular Edema	93.847	U10 EY14231	$ 439
Passed through Social and Scientific Systems, Inc.:			
AIDS Clinical Trials Group network	93.856	AI068636	306,367
Passed through Southwest Oncology Group:			
Selenium and Vitamin E Cancer Prevention Cancer	93.399	CA37429	81,976
Passed through University of Illinois:			
Training Cellular Signaling in Cardiovascular System	93.987	T32 HL07692	30,612
Motor Deficit-Experimental and Clinical Correlates	93.853	R01 NS028127	48,403
PKC Alpha as a Marker for Logical Therapeutic approaches to Breast Cancer	93.395	1 R01 CA122914	49,198
Neural Control of Movement and Posture	93.853	R01 NS040902	38,401
Blocking HIV/HSV by mannose binding	93.856	U01 AI066709	69,654
Validation of the NINDS VCI Neuropsychological Protocols	93.853	R01 NS057514	23,535
Health promotion in minority childhood center survivors	93.837	R01 CA116750	5,430
Intensive Nutrition on ARDS: A Clinical trial	93.837	R01 HL093142	45,071
Illinois Lend Grant	93.110	T73 MC11047	5,000
Passed through the Montefiore Medical Center:			
Immunologic predictors of HPV Infection and the development of Cervical Neoplasis	93.855	U01 AI068636	176,367
Passed through ISIS Inc.			
Improving Outcomes in Acute Rehabilitation for TBI	93.865	R01 HD050439	43,850
Passed through Westat Inc.			
International and Domestic Pediatric and Maternal HIV studies Coordination Center	93.HHSN	HHSN267200800001C	747,243
Pilot trial of Lithium in subjects with Progressive Supranuclear Palsy or Corticobasal Degeneration	93.HHSN	HHSN265200423611C	17,558
Passed through Yale University:			
The Insulin Resistance Intervention After Stroke Trial	93.853	U01 NS044876	29,770
Passed through Ohio State University:			
Cooperative Tissue Bank of HIV Malignancies	93.395	CA66531	73,386
Individualized Planning for the first year following Acute Rehabilitation	84.133	H133AO80023	74,675
Passed through Evanston Northwestern Healthcare:			
Weekly Symptom Telemanagement in Advance Lung Cancer	93.399	5 R01 CA115361	10,775
Passed through Cornell University:			
Effects of Coenzyme Q10 in Parkinson's Disease	93.853	U01 NS50324	66,609
Perinatal Choline Therapy in a Mouse Model of Down Syndrome and Alzheimer's Disease	93.865	R01 HD057564	120,483
Passed through La Jolla Institute:			
Anti-herpevirus signaling by cytokines	93.855	R01 AI48073	24,726
Passed through the American College of Obstetricians and Gynecologists:			
Tissue bank for the Gynecologic Oncology reviewer of slides	93.395	CA27469	806
Passed through NIAID (DHHS) Contract:			
Clinical Trials Observation/Study of Women's Health Initiative	93.N01	NO1-WH 42124	182,962
VQA Contract	93.N01	NO1-AI-50044	2,866,998
Passed through University of California:			
Solid Organ Transplantation in HIV	93.855	U01 AI052748	68,783
Ca and INSP3 Receptor Signaling in Cardiac Myoctyes	93.837	P01 HL080101	529,391
Fragile X Research Center	93.865	HD022274	53,723
Cartilage Integration: In Vitro in Vivo Translation	93.286	1 R21 EB004950	(24,292)
The Epilepsy Phenome/Genome Project	93.853	R01 NS053998	86,171
Trial of the Effects of DHS in slowing the Progression of Alzheimer's Disease	93.866	U01AG10483	34,529
Multi-Center Trial to Evaluate Home-based assessment Methods for Alzheimer's Disease Prevention Research in People over 75 years old	93.866	U01 AG10483	56,070

(Continued)

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
Passed through University of California (continued):			
Develop improved methods which will lead to uniform standards for acquiring longitudinal multi site MRI and Pet data on patients with AD, MCI and normal control	93.866	U01 AG024904	20,514
Study of Woman's Health across the Nation IV: Chicago site	93.866	POB228-X84	10,474
Passed through Georgetown University:			
A Multicenter double-blind placebo controlled trial to determine whether natural Huperzine improves Cognitive function	93.866	R01 AG19268	79,159
Passed through Rosalind Franklin University			
Mechanisms underlying reward related Synaptogenesis	93.279	DA016662	2,798
Passed through Upstairs Solutions:			
Using Technology to Deliver Evidence Based Interventions to Alzheimer Caregivers	93.866	R41 AG032159	12,830
Passed through Health and Human Services:			
Health Surveillance Collaborative Workshop and Planning for Building a Healthier Chicago	93.08T02	08T020011	13,506
Genetic Factors in complex Regional Pain Syndrome	93. HHSN	HHSN268200900429P	5,000
Passed through Duke University Medical Center			
Child and Adolescent Psychiatry Trials Network	93.242	P30 MH66386	1,000
Passed through University of Washington:			
Alzheimer's Disease Data Coordination Center	93.866	5 U01 AG16976	29,039
Mesothelin as Biomarker and Therapeutic target	93.394	R01 CA134487	722
Multicenter Career development program for Physical and Occupational Therapy	93.929	K12 HD055931	56,140
The role of Cerebral Hemodynamics in Moya Moya Disease	93.853	R01 NS051631	5,096
Passed through University of Florida:			
Neurodevelopment Effects of Antiepileptic Drugs	93.853	R01 NS38455	62,616
Passed through Eastern Cooperative Oncology Group:			
ECOG	93.400	ECOG-00101102	62,353
Passed through Daya Drug Discoveries Inc.			
Indolo Benzox and Thiaepines as Atypical Antipsychotic Agents	93.242	R43 MH084365	24,737
Passed through Health Research and Educational Trust:			
Promoting Safety and Quality through Human Resources Practices	93. HHSA	HHSA290200600022	45,119
Passed through University of Pennsylvania			
Alzheimer's Disease Genetics Consortium	93.866	U01 AG032984	17,934
Passed through Radiation Therapy Group:			
Randomized trial of two doses and two high doses schedules for delivering Prophylactic cranial irradiation for patients with limited disease small lung cancer	93.392	U10 CA21661	6,697
Passed through Albert Einstein College of Medicine:			
Inflammatory and Immune Mechanisms of Atherosclerosis in HIV Infected Women	93.837	R01 HL095140	136,491
Passed through Fred Hutchinson Cancer Research Center:			
Early Detection of Ovarian Tumor Angiogenesis by Contrast Enhanced Ultrasound	93.397	P50 CA083636	51,603
Passed through John Hopkins:			
Studies of Ocular Complications of Aids	93.867	EY08057	6,233
Multi Uveitis steroid treatment trial	93.867	U10 EY014660	11,452
ICH Removal: Minimally Invasive Surgery +RT-PA	93.853	NS046309	25,214
Clot Lysis: Evaluating accelerated resolution of Intraventricular Hemorrhage	93.853	U01 NS062851	14,450
Passed through Cleveland Clinic:			
Mechanisms of incontinence following vaginal distension	93.865	R01 HD038679	20,934
Passed through National Marrow Donor Program:			
BMT Clinical Research Network Data Coordinating Center	93.839	U01 HL69294	1,063
Passed through New England Research Institute:			
The Transfusion Medicine/Hemostasis Clinical Trials Network. Rituxan for the Treatment of Inhibitors in Congenital Hemophilia A	93.839	U01 HL072268	20,056
Passed through Osmic Enterprises:			
Regulatory approval for the Olfact test battery	93.173	R44 DC006369	47,415

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
Passed through Massachusetts General Hospital:			
Coenzyme Q10 in Huntington's Disease	93.853	U01 NS052592	$ 48,750
Evolutionary Lead Optimization for Immunology of Marburg Andebola Viruses	93.855	U01 AI070330	160,459
Creatine Safety, Tolerability and efficacy in Huntington's Disease	93.213	U01 AT000613	31
Passed through Harvard Medical School:			
Genomic analysis of human aging and cognitive decline	93.866	R01 AG027040	25,169
Passed through NSABT:			
A Phase II Clinical Trial Comparing Trastuzumab given concurrently with Radiation Therapy and Radiation Therapy alone for Women with HER-2 Positive Ductal Carcinoma in Situ Resected by Lumpectomy	93.B-43	B-43	149,447
Breast Cancer Prevention Trial	93.399	U10 CA37377	(14,094)
Passed through University of Minnesota:			
Internal Network for Strategic Initiatives in Global Trials	93.855	U01 AI068641	10,665
Depression Adipocytokines and Metabolic Dysregulation in black and white woman	93.837	R21 HL091290	10,619
Psychosocial Factors and Stroke Risk	93.837	R01 HL084209	74,984
Passed through Case Western Reserve University:			
Basic and Comparative Studies of CCR5 Inhibition to Prevent HIV Transmission	93.855	U19 AI076981	124,720
Defining the Pathogenesis of Immune Deficiency in Chronic HIV Infection	93.855	P01 AI076174	111,229
Passed through South Carolina:			
Parkinson's Disease Clinical Trial	93.853	NS43127	11,239
Passed through South California:			
HCV and Progression of HIV and HAART response in women	93.856	R01 AI52065	(13,656)
Passed through University of Louisville Research Foundation:			
Genetic and Environmental risk factors for PSP	93.866	R01 AG024040	17,059
Passed through University of Cincinnati:			
Aberrant Synaptic Plasticity: Impact on Dopamine Graft Outcomes	93.853	R01 NS045132	9,460
Aging and Parkinson's Disease: Models of Therapeutics and Neurologic Comobidity	93.853	P50 NS058830	14,189
Passed through Salk Institute:			
Stress and CRF Signaling in Alzheimer's Disease Pathogenesis	93.866	R01 AG032755	27,442
Passed through MCHC Chicago Hospital Council:			
Bioterrorism Training and Curriculum Development Program	93.996	T01 HP01413	1,373
CPDH Hospital Preparedness Program	93.889	18426	104,910
Passed through Great Lakes Hemophilia:			
Maternal Child Health Bureau	93.110B	5 H30 MC00032	29,122
Center for Disease Control	93.283	CCU513116	49,881
Passed through Minneapolis Medical Research Foundation:			
Aspirin in reducing events in the elderly	93.866	U01 AG029824	20
Total U.S. Department of Health and Human Services			52,273,678

(Continued)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
National Science Foundation:			
Tissue engineered Cartilage for Drug discovery	47.041	DMI-0422194	$ 1,545
Total National Science Foundation			1,545
U.S. Army Medical Research Acquisition Activity:			
Ovarian Autoantibodies Predict Ovarian Cancer	12.420	W81XWH-08-1-0203	50,854
The Impact of Colonic Microbiota in Breast Cancer	12.420	W81XWH-08-1-0670	149,664
Lysosome Medicated Cell Death and Autophagy-Dependent Multidrug Resistance in Breast Cancer	12.420	W81XWH-07-1-0505	177,199
Classic Density Funtion of fluids: IONS at a Dielectric Interface	12.431	W911NF-09-1-0488	83,309
Guardian	12.420	W81XWH-09-1-0662	250,869
Geographic Utilization of Artificial Intelligence in real-time for disease identification and notification for Biological Threat agents	12.420	W81XWH-06-1-0785	838,334
Total U.S. Army Medical Research Acquisition Activity			1,550,229
Department of Justice:			
Emergency Response Training	42.302	2006-DD-BX-0420	80,026
Total Department of Justice			80,026
Department of Defense:			
Alpha Synuclein and PD	12.420	W81XWH-07-1-0659	504,903
Total Department of Defense			504,903
Department of Armed Forces Services Corporation:			
Advance Trauma Training Program and Mental Resilience	93.7562BA-09-D-0099	10-106-0099/04	237,451
Total Department of Armed Forces Services Corporation			237,451
Department of Energy:			
Design and Construction of the Regional Center for Advanced Medical Response	12.420	DE-FG02-04CH11192	(291)
Genetic and Environmental Risk Factors for PSP	81.490	DE-SC0002138	73,667
Total Department of Energy			73,376
TOTAL RESEARCH AND DEVELOPMENT			54,721,208

(Continued)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures
Student Financial Assistance:			
U.S. Department of Education:			
Stafford Loan	84.032		$32,336,138
Stafford Grad Plus	84.032		5,382,679
Parent Loans for Undergraduate Students	84.032		55,551
Perkins Loan	84.038	P038A041271	1,151,863
Pell Grant Program	84.063	PO63P095336	72,356
Supplemental Educational Opportunity Grant	84.007	P007A091271	63,336
Federal Work-Study	84.033	PO33A091271	504,951
Federal Work-Study — ARRA	84.UNK	PO33A091271	69,857
Total U.S. Department of Education			39,636,731
U.S. Department of Health and Human Services:			
Loans for Disadvantaged Students - Revolving fund	93.342		20,231
Nursing Student Loan — Undergraduate — Revolving fund	93.364		215,454
Nursing Student Loan — Graduate — Revolving fund	93.364		23,934
Primary Care Loan/HPSL — Revolving fund	93.108		132,877
Perkins Loan — Revolving fund	93.038		196,128
Nursing Student Loan — Undergraduate	93.364	6876831-07	92,493
Professional Nurse Traineeship	93.358	A10HP00230	103,950
Loans for Disadvantaged Students	93.342	E36HP14870	1,306,724
Nurse Anesthetist Traineeship	93.124	A22HP08249	22,415
Scholarship for Disadvantaged Students	93.925	T08HP13108	89,644
Scholarship for Disadvantaged Students — ARRA	93.407	T0AHP15990	40,239
Total U.S. Department of Health and Human Services			2,244,089
TOTAL STUDENT FINANCIAL ASSISTANCE			41,880,820
Other Federal Assistance:			
U.S. Department of Health and Human Services:			
Passed through City of Chicago			
IDPH H1N1 Grant	93.069	PO 16889	49,823
Title V — Chicago Department on Aging	17.235, 93.041	PO 20545	26,127
City of Chicago — Grant 90AM3112/012	17.235, 93.041	PO 19927	850
Passed through State of Illinois Department of Human Services			
Early Intervention Services	84.181	10CK001607	484,397
Family Planning Program	93.217	10CK001607	106,270
Family Planning Program	93.667	10CK001607	53,700
Adolescent Health/Adolescent Health DFI	93.667	10CK001607	273,800
Passed through State of Illinois Department of Public Health			
IDPH — Asthma Hospital Prevention	98.283	03283002	83,953
Older American Evidence-Based Grant	93.048	03288004	8,519
Regional Perinatal Network	93.994	03789006	398,478
TOTAL OTHER FINANCIAL ASSISTANCE			1,485,917
TOTAL EXPENDITURES OF FEDERAL AWARDS			98,087,945

(Continued)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

State Grantor/Pass-through Grantor/Program or Cluster Title	Pass-through Grantor's Number	Federal Expenditures
Passed through the Illinois Department of Public Health:		
Asthma Hospital Prevention	83283007	$ 18,645
Genetic Counseling/Clinical Services	03780246	52,459
Alzheimer's Association	93280002	1,899
Sickle Cell Program	03780259	8,542
Perinatal Obstetric Hemorrhage Project	93789018	29,679
Role of Heparanase in Breast Initiation	96180114	67,691
Total Illinois Department of Public Health		178,915
Passed through the Illinois Department of Human Services:		
Family Planning Program (Parents Too Soon)	10CL001607	22,602
Adolescent Health Promotion	10CL001607	41,400
Early Intervention Services	10CL001607	2,623,160
Client/Family Support	10CL001607	104,225
Total Illinois Department of Human Services		2,791,387
Passed through the Illinois Department of Commerce:		
Expand Recycling Program	09-442055	35,281
		35,281
Passed through the Illinois National Guard:		
Training Program Development	W91SMC-09-C-0004	2,175,071
Training Program Development	W91SMC-06-C-0017	122,084
Training Program Development	W91SMC-07-R-0036	36,838
Total Illinois National Guard		2,333,993
Passed through the City of Chicago:	1846624G, 1872202G	
Chicago Board of Education Contract	1896389G, 1942390G	102,000
Total City of Chicago		102,000
TOTAL EXPENDITURES OF STATE AWARDS		5,441,576
TOTAL EXPENDITURES FEDERAL AND STATE AWARDS		$ 103,529,521

See notes to schedule of expenditures of federal and state awards

(Concluded)

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2010

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal and State Awards (the "Schedule") includes the federal and state grant activity of Rush University Medical Center and Subsidiaries (RUMC). The Schedule has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

2. STUDENT LOAN PROGRAMS

For the year ended June 30, 2010, in addition to processing new loans under the Stafford Loan and Parents Loan for Undergraduate Students program, RUMC also administers existing loans under the Disadvantaged Students, Nursing Students Loan — Undergraduate, Nursing Student Loans — Graduate, Primary Care Loan, and Perkins Loan programs. As of June 30, 2010, the outstanding loan balances for these programs were $20,231, $215,454, $23,934, $132,877, and $196,128, respectively. These balances are included in the accompanying Schedule.

3. SUBRECIPIENTS

For the year ended June 30, 2010, RUMC provided $5,651,916 to subrecipients, as detailed in the table below. Such payments to subrecipients are included in federal expenditures presented in the accompanying Schedule.

Program Title	CFDA	Subrecipient	Amount Provided
National Institutes of Health	93.RD	Various	$4,508,896
National Institutes of Health — ARRA	93.701	Various	389,145
Virology Quality Assessment	93.856	New England Research Institute	299,687
		Frontier Science Foundation	173,602
		Research Triangle Institute	46,666
Westat Contract	93.HHSN	Hektoen Institute	155,379
U.S. Army Medical Research Acquisition Activity	12.42	University of Illinois	2,994
Health Surveillance Collaborative Workshop and Planning for Building a Healthier Chicago	93.08T02	University of Illinois	311
ARRA — Bioluminesence in Dinoflagellates triggered by voltage-gated Proton Channels	47.082	Emory University	8,373
U.S. Army Medical Research Acquisition Activity	12.431	University of Chicago	18,224
Chicago Community acquired Pneumonia consortium	93.185	Hektoen Institute	48,639
			$5,651,916

4. NONCASH ASSISTANCE

RUMC did not receive any noncash federal awards or in-kind contributions during fiscal year 2010.

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Part I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: qualified due to the exclusion of certain related entities from the consolidated financial statements — see Note 1

Internal control over financial reporting:

• Material weakness(es) identified?	_____	yes	__X__	no
• Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____	yes	__X__	none reported
• Noncompliance material to consolidated financial statements noted?	_____	yes	__X__	no

Federal Awards

Internal control over major programs:

• Material weakness(es) identified?	_____	yes	__X__	no
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?	_____	yes	__X__	none reported

Type of auditors' report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?	_____	yes	__X__	no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.RD	Research and Development Cluster

Dollar threshold used to distinguish between type A and type B programs: $2,942,638

Auditee qualified as low-risk auditee?	_____	yes	__X__	no

Part II — Financial Statement Findings

None noted.

Part III — Federal Award Findings and Questioned Costs

None noted.

RUSH UNIVERSITY MEDICAL CENTER AND SUBSIDIARIES

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010

Finding 09-01 **Questioned Costs: None**

CFDA No. 93.RD: At the end of a competitive segment, the financial status report was submitted approximately four months after the due date. RUMC maintained documentation from the awarding agency signifying that there were no restrictions placed on the grant. Such written correspondence was received at the time of the late submission and not prior to the report due date.

CFDA No. 12.42: Required requests for reimbursement were not submitted according to the provisions of the grant agreement, which stipulated that Standard Form 270 (SF-270), Request for Advance or Reimbursement, should be submitted monthly, but not less frequently than quarterly. RUMC submitted four SF-270 requests covering the entirety of the fiscal year, but the time periods for which the requests were submitted were not for the four quarters of the fiscal year.

Recommendation

RUMC should ensure that all reporting requirements are submitted on a timely basis. In the event that a reporting deadline will not be achieved, RUMC should obtain written documentation from the awarding agency prior to the due date.

Current Status

No instances of noncompliance were noted during testing in the current year. Results of testing appear to indicate that management has resolved the issues noted above.