Rush University Medical Center Obligated Group

# RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

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**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

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INDEPENDENT AUDITORS’ REPORT

To the Board of Trustees of Rush University Medical Center:

We have audited the accompanying consolidated financial statements of Rush University Medical Center Obligated Group (including Rush University Medical Center and Rush-Copley Medical Center) (collectively, "Rush"), which comprise the consolidated balance sheets as of June 30, 2013 and 2012, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended and the related notes to the consolidated financial statements.

Management’s Responsibility for the Consolidated Financial Statements

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

Auditors’ Responsibility

Our responsibility is to express an opinion on these consolidated 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Rush as of June 30, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Other Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedules of expenditures of federal awards and state awards as required by the Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Not For Profit Organizations, are presented for the purpose of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of Rush’s management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in our audit of the
consolidated financial statements and certain additional procedures, including comparing and reconciling such information
directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the
consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally
accepted in the United States of America. In our opinion, such information is fairly stated in all material respects in relation to
the consolidated financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 28, 2013 on our
consideration of Rush’s internal control over financial reporting and on our tests of its compliance with certain provisions of
laws, regulations, contracts, and grant agreements and other matters. The purpose of the 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in
accordance with Government Auditing Standards in considering Rush’s internal control over financial reporting and compliance

Deloitte & Touche LLP

Chicago, Illinois
October 28, 2013
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$195,751</td>
<td>$131,044</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>-</td>
<td>$115,712</td>
</tr>
<tr>
<td>Accounts receivable for patient services - net of allowance for doubtful accounts of $47,097 and $60,855 as of June 30, 2013 and 2012, respectively (Note 2)</td>
<td>190,145</td>
<td>249,972</td>
</tr>
<tr>
<td>Other accounts receivable - net of reserves of $2,310 and $1,461 as of June 30, 2013 and 2012, respectively</td>
<td>47,385</td>
<td>51,765</td>
</tr>
<tr>
<td>Self-insurance trust - current portion</td>
<td>24,724</td>
<td>23,904</td>
</tr>
<tr>
<td>Other current assets</td>
<td>51,360</td>
<td>54,132</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td><strong>509,365</strong></td>
<td><strong>626,529</strong></td>
</tr>
<tr>
<td><strong>ASSETS LIMITED AS TO USE AND INVESTMENTS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investments - less current portion</td>
<td>654,721</td>
<td>371,463</td>
</tr>
<tr>
<td>Limited as to use by donor or time restriction or other</td>
<td>476,069</td>
<td>444,808</td>
</tr>
<tr>
<td>Self-insurance trust - less current portion</td>
<td>100,497</td>
<td>97,255</td>
</tr>
<tr>
<td>Debt service reserve fund</td>
<td>48,661</td>
<td>48,888</td>
</tr>
<tr>
<td><strong>Total assets limited as to use and investments</strong></td>
<td><strong>1,279,948</strong></td>
<td><strong>962,414</strong></td>
</tr>
<tr>
<td><strong>PROPERTY AND EQUIPMENT - net of accumulated depreciation of $1,116,509 and $1,062,105 as of June 30, 2013 and 2012, respectively</strong></td>
<td>1,376,118</td>
<td>1,426,729</td>
</tr>
<tr>
<td><strong>OTHER ASSETS</strong></td>
<td>39,152</td>
<td>54,779</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>$ 3,204,583</strong></td>
<td><strong>$ 3,070,451</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES AND NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>CURRENT LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$108,070</td>
<td>$103,633</td>
</tr>
<tr>
<td>Accrued expenses</td>
<td>141,430</td>
<td>137,749</td>
</tr>
<tr>
<td>Student loan funds</td>
<td>22,919</td>
<td>20,394</td>
</tr>
<tr>
<td>Estimated third-party settlements payable</td>
<td>149,192</td>
<td>158,783</td>
</tr>
<tr>
<td>Current portion of accrued liability under self-insurance programs</td>
<td>35,880</td>
<td>38,959</td>
</tr>
<tr>
<td>Current portion of long-term debt</td>
<td>12,065</td>
<td>6,610</td>
</tr>
<tr>
<td><strong>Total current liabilities</strong></td>
<td><strong>469,556</strong></td>
<td><strong>466,128</strong></td>
</tr>
<tr>
<td><strong>LONG-TERM LIABILITIES:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accrued liability under self-insurance programs - less current portion</td>
<td>197,188</td>
<td>198,026</td>
</tr>
<tr>
<td>Postretirement and pension benefits</td>
<td>85,242</td>
<td>169,875</td>
</tr>
<tr>
<td>Long-term debt - less current portion, net</td>
<td>597,166</td>
<td>609,016</td>
</tr>
<tr>
<td>Obligations under capital lease and other financing arrangements</td>
<td>43,037</td>
<td>47,662</td>
</tr>
<tr>
<td>Other long-term liabilities</td>
<td>76,118</td>
<td>71,160</td>
</tr>
<tr>
<td><strong>Total long-term liabilities</strong></td>
<td><strong>998,751</strong></td>
<td><strong>1,095,739</strong></td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>1,468,307</strong></td>
<td><strong>1,561,867</strong></td>
</tr>
<tr>
<td><strong>NET ASSETS:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unrestricted</td>
<td>1,159,532</td>
<td>972,126</td>
</tr>
<tr>
<td>Temporarily restricted</td>
<td>328,127</td>
<td>294,338</td>
</tr>
<tr>
<td>Permanently restricted</td>
<td>248,617</td>
<td>242,120</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td><strong>1,736,276</strong></td>
<td><strong>1,508,584</strong></td>
</tr>
</tbody>
</table>

| **TOTAL LIABILITIES AND NET ASSETS** | **$ 3,204,583** | **$ 3,070,451** |

See notes to consolidated financial statements.
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP  
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS  
(Dollars in thousands)  

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<td>2013</td>
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<tr>
<td><strong>REVENUE:</strong></td>
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</tr>
<tr>
<td>Patient service revenue (net of contractual allowances and discounts)</td>
<td>$ 1,655,120</td>
</tr>
<tr>
<td>Provision for uncollectible accounts</td>
<td>(62,413)</td>
</tr>
<tr>
<td>Net patient service revenue less provision for uncollectible accounts</td>
<td>1,592,707</td>
</tr>
<tr>
<td>University services:</td>
<td></td>
</tr>
<tr>
<td>Tuition and educational grants</td>
<td>62,530</td>
</tr>
<tr>
<td>Research and other operations</td>
<td>100,844</td>
</tr>
<tr>
<td>Other revenue</td>
<td>81,752</td>
</tr>
<tr>
<td><strong>Total revenue</strong></td>
<td>1,837,833</td>
</tr>
<tr>
<td><strong>EXPENSES:</strong></td>
<td></td>
</tr>
<tr>
<td>Salaries, wages, and employee benefits</td>
<td>935,857</td>
</tr>
<tr>
<td>Supplies, utilities, and other</td>
<td>515,978</td>
</tr>
<tr>
<td>Insurance</td>
<td>39,438</td>
</tr>
<tr>
<td>Purchased services</td>
<td>95,780</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>132,330</td>
</tr>
<tr>
<td>Interest</td>
<td>42,167</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td>1,761,550</td>
</tr>
<tr>
<td><strong>OPERATING INCOME</strong></td>
<td>76,283</td>
</tr>
<tr>
<td><strong>NONOPERATING INCOME (EXPENSE):</strong></td>
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</tr>
<tr>
<td>Investment income and other</td>
<td>17,889</td>
</tr>
<tr>
<td>Unrestricted contributions</td>
<td>6,884</td>
</tr>
<tr>
<td>Fundraising expenses</td>
<td>(6,345)</td>
</tr>
<tr>
<td>Change in fair value of interest rate swaps</td>
<td>7,451</td>
</tr>
<tr>
<td>Net gain on sale</td>
<td>8,842</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total nonoperating income (expense)</strong></td>
<td>34,721</td>
</tr>
<tr>
<td><strong>EXCESS OF REVENUE OVER EXPENSES</strong></td>
<td>$ 111,004</td>
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RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in thousands)

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<th>2013</th>
<th>2012</th>
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<tbody>
<tr>
<td><strong>UNRESTRICTED NET ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenue over expenses</td>
<td>$111,004</td>
<td>$67,438</td>
</tr>
<tr>
<td>Recovery (funding) of impaired endowment corpus</td>
<td>233</td>
<td>(233)</td>
</tr>
<tr>
<td>Net assets released from restrictions used for purchase of property and equipment</td>
<td>12,340</td>
<td>68,940</td>
</tr>
<tr>
<td>Postretirement related changes other than net periodic postretirement cost</td>
<td>62,776</td>
<td>(43,619)</td>
</tr>
<tr>
<td>Other</td>
<td>1,053</td>
<td>4,156</td>
</tr>
<tr>
<td><strong>INCREASE IN UNRESTRICTED NET ASSETS</strong></td>
<td><strong>187,406</strong></td>
<td><strong>96,682</strong></td>
</tr>
</tbody>
</table>

|                                |         |         |
| **RESTRICTED NET ASSETS**      |         |         |
| **TEMPORARILY RESTRICTED NET ASSETS:** |         |         |
| Pledges, contributions, and grants | 33,449  | 45,908  |
| Net assets released from restrictions | (46,680)| (100,521)|
| Net realized and unrealized gains on investments | 47,020  | 1,808   |
| **INCREASE (DECREASE) IN TEMPORARILY RESTRICTED NET ASSETS** | **33,789** | **(52,805)** |

|                                |         |         |
| **PERMANENTLY RESTRICTED NET ASSETS:** |         |         |
| Pledges and contributions      | 5,462   | 9,580   |
| Change in unrealized gains (losses) impacting endowment corpus | 233     | (233)   |
| (Replenishment) recovery of impaired endowment corpus | (233)   | 233     |
| Investment gains (losses) on trustee-held investments | 1,035   | (1,949) |
| **INCREASE IN PERMANENTLY RESTRICTED NET ASSETS** | **6,497** | **7,631** |

|                                |         |         |
| **INCREASE IN NET ASSETS**     | 227,692 | 51,508  |
| **NET ASSETS — Beginning of year** | 1,508,584 | 1,457,076 |
| **NET ASSETS — End of year**   | $1,736,276 | $1,508,584 |

See notes to consolidated financial statements. (Concluded)
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

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<th>For the Years Ended June 30,</th>
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**OPERATING ACTIVITIES:**

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<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase in net assets</td>
<td>$227,692</td>
<td>$51,508</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>132,330</td>
<td>107,754</td>
</tr>
<tr>
<td>Postretirement-related changes other than net periodic postretirement cost</td>
<td>(62,776)</td>
<td>43,619</td>
</tr>
<tr>
<td>Provision for uncollectible accounts</td>
<td>62,413</td>
<td>65,119</td>
</tr>
<tr>
<td>Change in fair value of interest rate swaps</td>
<td>(7,451)</td>
<td>10,756</td>
</tr>
<tr>
<td>Net unrealized and realized (gains) losses on investments</td>
<td>(46,590)</td>
<td>2,921</td>
</tr>
<tr>
<td>Restricted contributions and investment income received</td>
<td>(21,687)</td>
<td>(66,559)</td>
</tr>
<tr>
<td>Investment (gains) losses on trustee-held investments</td>
<td>1,035</td>
<td>1,949</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>-</td>
<td>960</td>
</tr>
<tr>
<td>Loss on disposal of equipment and other</td>
<td>237</td>
<td>4,609</td>
</tr>
<tr>
<td>Net gain on sale</td>
<td>(8,842)</td>
<td>-</td>
</tr>
<tr>
<td>Changes in operating assets and liabilities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts receivable for patient services</td>
<td>(2,586)</td>
<td>(137,768)</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>8,522</td>
<td>1,314</td>
</tr>
<tr>
<td>Estimated third-party settlements payable</td>
<td>(9,592)</td>
<td>18,706</td>
</tr>
<tr>
<td>Postretirement and pension benefits</td>
<td>(21,857)</td>
<td>(12,648)</td>
</tr>
<tr>
<td>Accrued liability under self-insurance program</td>
<td>(3,917)</td>
<td>48,977</td>
</tr>
<tr>
<td>Other changes in operating assets and liabilities</td>
<td>(21,942)</td>
<td>(27,755)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>266,803</td>
<td>113,462</td>
</tr>
</tbody>
</table>

**INVESTING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Additions to property and equipment</td>
<td>(84,054)</td>
<td>(203,237)</td>
</tr>
<tr>
<td>Purchase of investments</td>
<td>(1,974,934)</td>
<td>(929,717)</td>
</tr>
<tr>
<td>Sale of investments</td>
<td>1,818,223</td>
<td>934,694</td>
</tr>
<tr>
<td>Proceeds from sale of building</td>
<td>25,396</td>
<td>-</td>
</tr>
<tr>
<td>Net cash used in investing activities</td>
<td>(215,369)</td>
<td>(198,260)</td>
</tr>
</tbody>
</table>

**FINANCING ACTIVITIES:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proceeds from restricted contributions and investment income</td>
<td>25,096</td>
<td>71,085</td>
</tr>
<tr>
<td>Refunding of long-term debt</td>
<td>-</td>
<td>(56,000)</td>
</tr>
<tr>
<td>Proceeds from issuance of long-term debt</td>
<td>-</td>
<td>56,000</td>
</tr>
<tr>
<td>Payment of bond issuance costs</td>
<td>-</td>
<td>(380)</td>
</tr>
<tr>
<td>Payment of long-term debt</td>
<td>(6,610)</td>
<td>(5,215)</td>
</tr>
<tr>
<td>Payment of obligations under capital lease and other financing arrangements</td>
<td>(5,213)</td>
<td>(4,297)</td>
</tr>
<tr>
<td>Net cash provided by financing activities</td>
<td>13,273</td>
<td>61,193</td>
</tr>
</tbody>
</table>

**NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>64,707</td>
<td>(23,605)</td>
<td></td>
</tr>
</tbody>
</table>

**CASH AND CASH EQUIVALENTS — Beginning of year**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>131,044</td>
<td>154,649</td>
<td></td>
</tr>
</tbody>
</table>

**CASH AND CASH EQUIVALENTS — End of year**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>$195,751</td>
<td>$131,044</td>
<td></td>
</tr>
</tbody>
</table>

**SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:**

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash paid for interest — including capitalized interest of $232 and $13,443 for the years ended June 30, 2013 and 2012, respectively</td>
<td>$42,358</td>
<td>$43,511</td>
</tr>
<tr>
<td>Noncash additions to property and equipment</td>
<td>$754</td>
<td>$10,002</td>
</tr>
</tbody>
</table>

See notes to consolidated financial statements.
1. ORGANIZATION AND BASIS OF CONSOLIDATION

Rush University Medical Center Obligated Group (the “Obligated Group”) is a multihospital system with operations that consist of several diverse activities with a shared mission of patient care, education, research, and community service. The Obligated Group hospitals consist of an academic medical center and two community hospitals that each serve distinct markets in the Chicago, Illinois, metropolitan area. The accompanying consolidated financial statements include the accounts of Rush University Medical Center and Subsidiaries (RUMC) and Rush-Copley Medical Center and Subsidiaries (RCMC) (collectively, “Rush”). Both RUMC and RCMC are Illinois not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Rush University Medical Center

RUMC, the largest member of the Obligated Group, is an academic medical center comprising Rush University Hospital and Rush University, located in Chicago, Illinois, and Rush Oak Park Hospital, located in Oak Park, Illinois.

Rush University Hospital (RUH) — 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 731 beds. RUH also includes a faculty practice plan, Rush University Medical Group, which employed 425 physicians as of June 30, 2013.

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 $134,525 and $134,096 in annual research expenditures during fiscal years 2013 and 2012, respectively.

Rush Oak Park Hospital (ROPH) — A 296-bed licensed acute care, rehabilitation, and skilled nursing hospital located in Oak Park, Illinois, eight miles west of RUH, which includes an employed medical group with 41 physicians as of June 30, 2013. 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. All significant intercompany transactions have been eliminated in consolidation.

RUH and ROPH together own 50% of Rush Health, a network of providers whose members include the hospitals and approximately 818 physicians and 138 allied health providers who are on the medical staff of the member hospitals, with the other 50% owned by the physicians. The financial results of Rush Health are not consolidated with the financial results of RUMC and are accounted for using the equity method of accounting (see Note 18).

Rush Copley Medical Center

RCMC is the sole corporate member of Copley Memorial Hospital, Inc., a 210-bed licensed acute care hospital located in Aurora, Illinois, which includes an employed medical group of 64 physicians as of June 30, 2013.

RCMC and RCMC are affiliated for the purpose of advancing their missions in patient care, education, research, and community service through formal affiliation agreements, which cover governance and other organizational relationships. Pursuant to the Amended and Restated Master Trust Indenture dated August 1, 2006, RUMC and RCMC established an Obligated Group of which both are members. RUMC and RCMC are jointly and severally liable for certain debt issued through the Illinois Finance Authority (IFA) (see Note 9).
2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP) as recommended in the Audit and Accounting Guide for Health Care Organizations published by the American Institute of Certified Public Accountants.

Basis of Consolidation

Included in Rush’s consolidated financial statements are all of its wholly owned or controlled subsidiaries. All significant intercompany transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP 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 consolidated 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

Cash and investments having an original maturity of 90 days or less when purchased are considered to be cash and cash equivalents. These securities are so near maturity that they present insignificant risk of changes in value.

Net Patient Service Revenue, Patient Accounts Receivable, and Allowance for Doubtful Accounts

Net patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered. Rush 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, including estimated retroactive settlements under payment agreements with third-party payors.

Rush recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. Provisions for adjustments to net patient service revenue are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined. For uninsured patients that do not qualify for charity care, Rush recognizes revenue based on its discounted rates. On the basis of historical experience, a significant portion of Rush’s uninsured patients will be unable or unwilling to pay for the services provided. Thus, Rush records a significant provision for uncollectible accounts related to uninsured patients in the period the services are provided.

Patient accounts receivable are based on gross charges and stated at net realizable value. Accounts receivable are reduced by an allowance for contractual adjustments, based on expected payment rates from payors under current reimbursement methodologies, and also by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, Rush analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate appropriate allowance for doubtful accounts and provision for uncollectible accounts based upon management’s assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for contractual adjustments and allowance for doubtful accounts. The allowance for doubtful accounts presented as of June 30, 2012 included charity care allowances of $16,102.
For receivables associated with services provided to patients who have third-party coverage, Rush analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts (for example, for expected uncollectible deductibles and co-payments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), Rush records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

The difference between the discounted rates and the amounts actually collected after all reasonable collection efforts have been exhausted is written off against the allowance for doubtful accounts in the period they are determined uncollectible.

Rush’s allowance for doubtful accounts for self-pay patients increased from 68% of self-pay accounts receivable at June 30, 2012, to 70% of self-pay accounts receivable as of June 30, 2013. The increase was the result of unfavorable trends experienced in the collection of amounts from self-pay patients during fiscal year 2013. In addition, Rush’s self-pay write-offs totaled $54,095 and $52,293 for fiscal years 2013 and 2012, respectively. Rush does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Charity Care

It is an inherent part of Rush’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 net patient service revenue.

Inventory

Medical supplies, pharmaceuticals, and other inventories are stated at the lower of cost or market and are included in other current assets in the accompanying consolidated balance sheets.

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, derivative instruments, accounts receivable, accounts payable, accrued expenses, estimated third-party settlements, and debt. The fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and estimated third-party settlements approximated their financial statement carrying amount as of June 30, 2013 and 2012, because of their short-term maturity. The fair value of the other instruments is disclosed in Notes 6 and 9.

Assets Limited as to Use and Investments

Assets limited as to use consist primarily of investments limited as to use by donors, unconditional promises to contribute, assets held by trustees under debt or other agreements and for self-insurance, and board-designated assets set aside for a specified future use. Investments in equity and debt securities with readily determinable fair values are measured at fair value using quoted market prices or model-driven valuations.

Alternative investments consist of limited partnerships that invest primarily in marketable securities (hedge funds), real estate, and limited partnerships that invest in nonmarketable securities (private equity). Investments in hedge funds and private equity funds are generally not marketable and may be divested only at specified times.
Investments in hedge funds are measured at fair market value based on Rush’s interest in the net asset value (NAV) of the respective fund. The estimated valuations of hedge fund investments are subject to uncertainty and could differ had a ready market existed for these investments. Such differences could be material. Investments in private equity funds entered into on or after July 1, 2012, are measured at fair market value based on the estimated fair values of the nonmarketable private equity partnerships in which it invests, which is equivalent to NAV, when Rush’s ownership is minor (less than 5%). The estimated valuations of private equity partnerships are subject to uncertainty and could differ had a ready market existed for these investments. Investments in private equity funds entered into during fiscal year 2012 or prior years are reported at cost, adjusted for impairment losses, based on information provided by the respective partnership when Rush’s ownership percentage is minor (less than 5%). Investments in private equity funds where Rush’s ownership percentage is more than minor, but consolidation is not required (5% to 50%), are accounted for on the equity basis. These investments are periodically assessed for impairment. The financial statements of hedge funds and private equity funds are audited annually, generally on December 31. Rush’s risk in alternative investments is limited to its capital investment and any future capital commitments (see Note 5).

Investment income or loss (including interest, dividends, realized and unrealized gains and losses, and changes in cost-based valuations) is reported within the excess of revenue over expenses unless the income or loss is restricted by donor or interpretation of law. Investment gains and losses on Rush’s endowment are recognized within temporarily restricted net assets until appropriated for use (see Note 7). Investment gains and losses on permanently restricted assets are allocated to purposes specified by the donor either as temporarily restricted or unrestricted, as applicable. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects.

Unconditional Promises to Contribute

Unconditional promises to contribute (pledges receivable) are recorded at the net present value of their estimated future cash flows. Estimated future cash flows due after one year are discounted using interest rates commensurate with the time value of money concept. Rush maintains an estimated allowance for uncollectible pledges based upon management’s assessment of historical and expected net collections considering business and economic conditions and other collection indicators. Net unconditional promises to contribute are reported in assets limited as to use by donor or time restriction in the accompanying consolidated balance sheets and amounted to $34,738 and $38,695 as of June 30, 2013 and 2012, respectively (see Note 16).

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 in 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 10).

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the date of receipt. Expenditures that substantially increase the useful life of existing property and equipment are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation expense, including amortization of capital leased assets, is recognized over the estimated useful lives of the assets using the straight-line method. Included in depreciation expense for the year ended June 30, 2013, is an asset charge of $9,583 related to a one-time impairment.

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 expensed or capitalized depending on whether the costs are incurred in the preliminary project stage, development stage, or operational stage. Capitalized costs of internal-use computer software are included in property and equipment in the accompanying consolidated balance sheets.
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. Interest expense of $232 and $13,443 was capitalized during the years ended June 30, 2013 and 2012, respectively.

Asset Impairment

Rush continually evaluates the recoverability of the carrying value of long-lived assets by reviewing long-lived assets for impairment. When circumstances indicate the remaining estimated useful life of long-lived assets may not be recoverable, Rush adjusts the carrying value of a long-lived asset to fair value if an estimate of the undiscounted cash flows over the remaining life is less than the carrying value of the asset. During the year ended June 30, 2012, no such provision was deemed necessary. During the year ended June 30, 2013, Rush recorded a one-time impairment of $9,583.

Asset Retirement Obligations

Rush recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, Rush capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle an asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets.

Ownership Interests in Other Health-Related Entities

Rush has a majority ownership interest in a number of subsidiaries, which provide outpatient surgical and imaging services. An ownership interest of more than 50% in another health-related entity in which Rush has a controlling interest is consolidated. As of June 30, 2013 and 2012, non-controlling interests in consolidated subsidiaries amounted to $5,209 and $4,156, respectively. The amounts related to non-controlling interests are recorded in unrestricted net assets, and as the amounts are not material, they are not separately presented in the accompanying consolidated financial statements. Rush also has affiliations with and interests in other organizations that are not consolidated. These organizations primarily provide outpatient health care and managed care contracting services. An ownership interest in another health-related entity of at least 20%, but not more than 50%, in which Rush has the ability to exercise significant influence over the operating and financial decisions of the investee, is accounted for on the equity basis (see Note 18), and the income (loss) is reflected in other revenue. An ownership interest in a health-related entity of less than 20%, in which Rush does not have the ability to exercise significant influence over the operating and financial decisions of the investee, is carried at cost or estimated net realizable value, which is not material to the consolidated financial statements.

Deferred Financing Costs

Debt issuance costs, net of amortization computed on a straight-line basis over the life of the related debt, are reported within other assets in the accompanying consolidated balance sheets. The straight-line basis approximates the effective interest method, which is required under GAAP. Unamortized debt issuance costs amounted to $10,231 and $10,707 as of June 30, 2013 and 2012, respectively.
Other Long-term Liabilities

Other long-term liabilities include asset retirement obligations, employee benefit plan liabilities for certain defined contribution and supplemental retirement plans other than defined benefit pension plans (see Note 12), liabilities for derivative instruments, and other long-term obligations.

Net Assets

Resources of Rush are designated as permanent, temporary, or unrestricted. Permanently restricted net assets include the original value of contributions that are required by donors to be permanently retained, including any accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument. Temporarily restricted net assets include contributions and accumulated investment returns whose use is limited by donors for a specified purpose or time period or by interpretations of law. Unrestricted net assets include the remaining resources of Rush that are not restricted and arise from the general operations of the organization.

Contributions

Unconditional promises to contribute 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. Contributions are either reported as 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 and changes in net assets as other revenue (if time restricted or restricted for operating purposes) or reported in the consolidated statements of operations and 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 and changes in net assets.

Rush is the beneficiary of several split-interest agreements, primarily perpetual trusts held by others. Rush recognizes its interest in these trusts based on either Rush’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.

Grants

Grants and other contracts are reflected in research and other operations revenue when the funds are expended in accordance with the specifications of the grantor or donor. Indirect costs relating to certain government grants and contracts are reimbursed at a fixed rates negotiated with government agencies.

Electronic Health Record Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act (HITECH). The provisions were designed to increase the use of electronic health record (EHR) technology and provide for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology in ways that demonstrate improved quality, safety, and effectiveness of care. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. An initial Medicaid incentive payment is available to providers that adopt, implement or upgrade certified EHR technology. Providers must demonstrate meaningful use of such technology in subsequent years in order to qualify for additional Medicaid incentive payments.
Rush recognizes HITECH incentive payments as revenue when it is reasonably assured that the meaningful use objectives have been achieved. Rush recognized incentive payments totaling $10,426 and $9,228 for the years ended June 30, 2013 and 2012, respectively, within other revenue in the consolidated statements of operations and changes in net assets. Rush’s compliance with the meaningful use criteria is subject to audit by the federal government.

**Excess of Revenue over Expenses**

The consolidated statements of operations and changes in net assets include excess of revenue over expenses as a performance indicator. Excess of revenue over expenses includes all changes in unrestricted net assets, except for 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 GAAP to be reported separately (such as extraordinary items, the effect of discontinued operations, postretirement-related changes other than net periodic postretirement costs, and the cumulative effect of changes in accounting principle).

**Nonoperating Income (Expense)**

Nonoperating income (expense) includes items not directly associated with patient care or other activities not relating to the core operations of Rush. 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, and realized and unrealized gains and losses) on all other investments unless restricted by donor or interpretation of law, changes in the fair value of interest rate swaps, losses on extinguishment of debt, net gains (losses) on sales, unrestricted contributions, and fundraising expenses.

**New Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board (FASB) issued new guidance related to the measurement of fair value and required disclosures about fair value measurements. The intent of the guidance is to improve comparability of fair value measurements and disclosures between financial statements prepared in accordance with GAAP and those prepared under International Financial Reporting Standards. Specifically, the guidance expands the existing disclosure requirements for fair value measurements, including separately presenting purchases, sales, issues, and settlements for investments categorized within Level 3 of the fair value hierarchy, and includes language clarifying the FASB’s intent regarding the application of existing measurement principles and requirements. The clarifying language may change how certain fair value measurement guidance is applied. This guidance was adopted for the year ended June 30, 2013, and did not have a material impact to the consolidated financial statements.

Rush adopted FASB guidance related to the presentation and disclosure of patient service revenue, provision for uncollectible accounts, and the allowance for doubtful accounts for certain health care entities for the year ended June 30, 2012. The standard establishes accounting and disclosure requirements for health care entities that recognize significant amounts of patient service revenue at the time services are rendered even though the entity does not assess a patient’s ability to pay. Specifically, the guidance requires that health care entities present bad debt expense associated with net patient service revenue as an offset to net patient service revenue within the consolidated statements of operations and changes in net assets. Additionally, the guidance requires enhanced disclosure of the policies for recognizing revenue and assessing bad debts, as well as qualitative and quantitative information about changes in the allowance for doubtful accounts.

In August 2010, the FASB issued new guidance to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. Specifically, this guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. Furthermore, this amendment requires the disclosure of the method used to identify or determine the costs. Rush adopted this guideline for the fiscal year ended June 30, 2012. The adoption of this guidance did not impact revenue recognition in the consolidated financial statements since Rush does not recognize revenue when charity care is provided.
Also in August 2010, the FASB issued new guidance related to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Specifically, this amendment clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. Rush adopted this guidance for the fiscal year ended June 30, 2012. The adoption of this guidance resulted in an increase in insurance recovery receivable of $33,719, with an offsetting increase in accrued liability under self-insurance programs as of June 30, 2012.

Consideration of Events Subsequent to the Consolidated Balance Sheet Date

Rush has evaluated events occurring subsequent to the consolidated balance sheet date through October 28, 2013, the date the consolidated financial statements were issued.

3. NET PATIENT SERVICE REVENUE

The mix of patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized during the years ended June 30, 2013 and 2012, by major payor source, was as follows:

<table>
<thead>
<tr>
<th>Payor Source</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>$435,311</td>
<td>$407,449</td>
</tr>
<tr>
<td>Medicaid</td>
<td>209,656</td>
<td>226,890</td>
</tr>
<tr>
<td>Blue Cross</td>
<td>487,069</td>
<td>456,565</td>
</tr>
<tr>
<td>Managed care</td>
<td>367,554</td>
<td>358,848</td>
</tr>
<tr>
<td>Commercial, self-pay, and other</td>
<td>155,530</td>
<td>126,182</td>
</tr>
<tr>
<td>Total patient service revenue</td>
<td>$1,655,120</td>
<td>$1,575,934</td>
</tr>
</tbody>
</table>

Changes in estimates relating to prior periods increased net patient service revenue by $22,083 and $8,719 in fiscal years 2013 and 2012, respectively. 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.

Rush 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 and changes in net assets when realized.

The health care 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 health care 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 Rush is in substantial compliance with current laws and regulations.

4. CHARITY CARE

Rush 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 300% of the federal poverty level or less and a 68% discount to all uninsured patients (increased from 65% for the period July 1, 2011 to March 31, 2012) regardless of ability to pay, and provides further discounts for patients with a family income up to 400% of the federal poverty level. RCMC provides free care to all patients whose family income is less than 300% of the federal poverty level and a
30% discount to all uninsured patients regardless of ability to pay, and discounts balances to patients under 600% of the federal poverty level. Interest-free payment plans are also provided. Charity care includes 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. The estimated cost of charity care provided is determined using a ratio of cost to gross charges and multiplying that ratio by the gross unreimbursed charges associated with providing care to charity patients.

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 Rush from the Program was $20,935 and $22,906 during the years ended June 30, 2013 and 2012, respectively. For the years ended June 30, 2013 and 2012, the Medicaid payment of $54,366 and $56,337 was included in net patient service revenue, representing 3% and 4%, respectively, of the net patient service revenue, and the tax assessment of $33,431 was included in supplies, utilities, and other expenses. The Program is approved through December 31, 2014; however, the future of the Program is uncertain.

The following table presents the level of charity care provided for the years ended June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients — net of net benefit under the Program</td>
<td>$ 75,023</td>
<td>$ 66,548</td>
</tr>
<tr>
<td>Estimated costs and expenses incurred to provide charity care in the hospitals</td>
<td>45,881</td>
<td>35,423</td>
</tr>
<tr>
<td>Total</td>
<td>$ 120,904</td>
<td>$ 101,971</td>
</tr>
</tbody>
</table>

The total number of patients that were either provided charity care directly by Rush or that were covered by the Program represented 24% of Rush’s total patients in each of the fiscal years 2013 and 2012.

Beyond the cost to provide charity care and unreimbursed services to hospital Medicaid patients, Rush also provides substantial additional benefits to the community, including educating future health care providers, supporting research into new treatments for disease, and providing subsidized medical services in response to community and health care needs, as well as other volunteer services. These community services are provided free of charge or at a fee below the cost of providing them.

5. 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. Rush also holds certain investments in alternative securities consisting of hedge funds, real estate investments, and private equity funds (see Note 2). Assets limited as to use by donor or time restriction also include unconditional promises to contribute (see Note 16).
Following is a summary of the composition of assets limited as to use and investments as of June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketable securities and short-term investment funds</td>
<td>$19,345</td>
<td>$96,103</td>
</tr>
<tr>
<td>Fixed-income securities, including commingled funds</td>
<td>706,416</td>
<td>552,569</td>
</tr>
<tr>
<td>Equity securities, including commingled funds</td>
<td>329,043</td>
<td>272,375</td>
</tr>
<tr>
<td>World asset allocation mutual funds</td>
<td>125,660</td>
<td>56,198</td>
</tr>
<tr>
<td>Hedge fund of funds</td>
<td>27,970</td>
<td>25,416</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>29,510</td>
<td>31,797</td>
</tr>
<tr>
<td>Real estate</td>
<td>3,106</td>
<td>3,290</td>
</tr>
<tr>
<td><strong>Total assets limited as to use and investments — excluding pledges receivable</strong></td>
<td>$1,241,050</td>
<td>$1,037,748</td>
</tr>
<tr>
<td>Beneficial interest in trusts</td>
<td>26,622</td>
<td>25,587</td>
</tr>
<tr>
<td><strong>Total assets limited as to use and investments — excluding pledges receivable</strong></td>
<td>$1,267,672</td>
<td>$1,063,335</td>
</tr>
<tr>
<td>Net pledges and grants receivable</td>
<td>37,000</td>
<td>38,695</td>
</tr>
<tr>
<td><strong>Total assets limited as to use and investments</strong></td>
<td>$1,304,672</td>
<td>$1,102,030</td>
</tr>
<tr>
<td>Less amount reported as current assets</td>
<td>(24,724)</td>
<td>(139,616)</td>
</tr>
<tr>
<td><strong>Assets limited as to use and investments — noncurrent</strong></td>
<td>$1,279,948</td>
<td>$962,414</td>
</tr>
</tbody>
</table>

The table above comprises all of Rush’s investments, including those measured at fair value as well as certain alternative investments in private equity partnerships or real estate measured under the cost or equity method of accounting. The fair value of private equity investments, as estimated by management of the limited partnerships based on audited financial statements and other relevant factors, was $38,774 and $37,724 as of June 30, 2013 and 2012, respectively. Rush’s private equity investments have diverse strategies, consisting of the following as of June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th>Private Equity Fund Allocations</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Buyout and growth capital</td>
<td>21 %</td>
<td>23 %</td>
</tr>
<tr>
<td>Distressed debt and special situations</td>
<td>29</td>
<td>34</td>
</tr>
<tr>
<td>Diversified private equity fund of funds</td>
<td>29</td>
<td>24</td>
</tr>
<tr>
<td>Venture capital</td>
<td>18</td>
<td>16</td>
</tr>
<tr>
<td>Direct equity</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Co-investment private equity</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>100 %</td>
<td>100 %</td>
</tr>
</tbody>
</table>

Investments in private equity funds recorded on the equity basis amounted to $669 and $921 as of June 30, 2013 and 2012, respectively. As many factors are considered in arriving at the estimated fair value, Rush routinely monitors and assesses methodologies and assumptions used in valuing these partnerships. As of June 30, 2013 and 2012, commitments for additional contributions to private equity partnerships totaled $17,717 and $13,158, respectively.

It is Rush’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 income statement line items. 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 insurance expense in the accompanying consolidated statements of operations and changes in net assets. This allocated return, 5% for the years ended June 30, 2013 and 2012, approximates the real return that Rush expects to earn on its investments over the long term and totaled $5,950 and $6,074 for years ended June 30, 2013 and 2012, respectively. The difference between the total investment return and the amount allocated to operations is reported in nonoperating income (expense) and totaled $1,070 and $810 for the years ended June 30, 2013 and 2012, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2013 and 2012, the total annual investment return was approximately 6.3% and 5.9%, respectively.

The composition and presentation of investment income and the realized and unrealized gains and losses on all investments for the years ended June 30, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and dividends</td>
<td>$36,338</td>
<td>$22,140</td>
</tr>
<tr>
<td>Net realized gains on sales of securities</td>
<td>23,185</td>
<td>12,378</td>
</tr>
<tr>
<td>Unrealized gains (losses) — unrestricted</td>
<td>1,710</td>
<td>(9,061)</td>
</tr>
<tr>
<td>Unrealized gains (losses) — restricted</td>
<td>22,699</td>
<td>(8,308)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$83,932</strong></td>
<td><strong>$17,149</strong></td>
</tr>
</tbody>
</table>

Reported as:
- Other operating revenue | $17,755 | $7,333 |
- Nonoperating income     | 17,889  | 10,190  |
- Restricted net assets — net realized and unrealized gains (losses) on investments | 48,288  | (374)   |
| **Total**               | **$83,932** | **$17,149** |

Rush reported gains and losses on its alternative investments as of June 30, 2013 and 2012, as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nonoperating income</td>
<td>$66</td>
<td>$28</td>
</tr>
<tr>
<td>Restricted net assets — net realized and unrealized gains on investments</td>
<td>5,538</td>
<td>2,349</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$5,604</strong></td>
<td><strong>$2,377</strong></td>
</tr>
</tbody>
</table>

6. **FAIR VALUE MEASUREMENTS**

As of June 30, 2013 and 2012, Rush held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trusteed and other investments, derivative instruments, and beneficial interests in trusts. Certain alternative investments measured using either the cost or equity method of accounting are excluded from the fair value disclosure provided herein.

**Valuation Principles**

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. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs generally reflect market data from independent sources and are supported by
market activity, while unobservable inputs are generally unsupported by market activity. The three-level valuation
hierarchy, which prioritizes the inputs used in measuring fair value of an asset or liability at the measurement date,
includes:

*Level 1 inputs* — Quoted prices (unadjusted) for identical assets or liabilities in active markets. Securities typically
priced using Level 1 inputs include listed equities and exchange-traded mutual funds.

*Level 2 inputs* — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar
assets and liabilities in non-active markets, and model-driven valuations whose inputs are observable for the asset or
liability, either directly or indirectly. Securities typically priced using Level 2 inputs include government bonds (including
U.S. treasuries and agencies), corporate and municipal bonds, collateralized obligations, interest rate swaps,
commercial paper and currency options, and commingled funds where NAV is corroborated with observable data.

*Level 3 inputs* — Unobservable inputs for which there is little or no market data available and are based on the
reporting entity’s own judgment or estimation of the assumptions that market participants would use in pricing the
asset or liability. The fair values for securities typically priced using Level 3 inputs are determined using model-driven
techniques, which include option-pricing models, discounted cash flow models, and similar methods. The Level 3
classification primarily includes Rush’s interest in hedge funds and beneficial interests in trusts.

**Fair Value Measurements at the Consolidated Balance Sheet Date**

The following tables present Rush’s fair value hierarchy for its financial assets and liabilities measured at fair value on a
recurring basis as of June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th>Fair Value Measurements as of June 30, 2013</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities and short-term investments</td>
<td>$ 1,273</td>
<td>$ 18,072</td>
<td>$ -</td>
<td>$ 19,345</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government and agency securities</td>
<td>-</td>
<td>229,107</td>
<td>-</td>
<td>229,107</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>102,532</td>
<td>-</td>
<td>102,532</td>
</tr>
<tr>
<td>Fixed-income mutual funds</td>
<td>177</td>
<td>272,271</td>
<td>-</td>
<td>272,448</td>
</tr>
<tr>
<td>Collateralized securities and other</td>
<td>71</td>
<td>92,935</td>
<td>-</td>
<td>93,006</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>220,325</td>
<td>4,456</td>
<td>-</td>
<td>224,781</td>
</tr>
<tr>
<td>International equity securities</td>
<td>45,549</td>
<td>45,397</td>
<td>-</td>
<td>90,946</td>
</tr>
<tr>
<td>World asset allocation funds</td>
<td>94,199</td>
<td>21,478</td>
<td>9,983</td>
<td>125,660</td>
</tr>
<tr>
<td>Moderate allocation mutual funds (a)</td>
<td>20,409</td>
<td>-</td>
<td>-</td>
<td>20,409</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Hedge fund of funds</td>
<td>-</td>
<td>-</td>
<td>27,970</td>
<td>27,970</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>-</td>
<td>-</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Accrued interest and other</td>
<td>-</td>
<td>2,230</td>
<td>-</td>
<td>2,230</td>
</tr>
<tr>
<td>Beneficial interest in trusts</td>
<td>-</td>
<td>-</td>
<td>26,622</td>
<td>26,622</td>
</tr>
<tr>
<td>Total assets at fair value</td>
<td>$ 382,003</td>
<td>$ 788,478</td>
<td>$ 64,615</td>
<td>$ 1,235,096</td>
</tr>
</tbody>
</table>

| Liabilities:                               |        |        |        |                  |
| Obligations under interest rate swap agreements | $ -   | $ 17,808 | $ -    | $ 17,808         |
| Total liabilities at fair value            | $ -   | $ 17,808 | $ -    | $ 17,808         |

(a) This class includes investments in mutual funds that allocate assets among equity and fixed-income investments, and
includes $7,093 (35%) in fixed-income securities and $13,316 (65%) in equity securities at June 30, 2013.
### Fair Value Measurements as of June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Assets:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketable securities and short-term investments</td>
<td>$1,549</td>
<td>$94,554</td>
<td>-</td>
<td>$96,103</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government and agency securities</td>
<td>-</td>
<td>177,392</td>
<td>-</td>
<td>177,392</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>49,166</td>
<td>-</td>
<td>49,166</td>
</tr>
<tr>
<td>Fixed-income mutual funds</td>
<td>621</td>
<td>156,230</td>
<td>-</td>
<td>156,851</td>
</tr>
<tr>
<td>Collateralized securities and other</td>
<td>78</td>
<td>160,059</td>
<td>-</td>
<td>160,137</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>166,716</td>
<td>3,872</td>
<td>-</td>
<td>170,588</td>
</tr>
<tr>
<td>International equity securities</td>
<td>46,033</td>
<td>42,501</td>
<td>-</td>
<td>88,534</td>
</tr>
<tr>
<td>World asset allocation funds</td>
<td>33,775</td>
<td>16,121</td>
<td>6,302</td>
<td>56,198</td>
</tr>
<tr>
<td>Moderate allocation mutual funds (a)</td>
<td>20,240</td>
<td>-</td>
<td>-</td>
<td>20,240</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td>-</td>
<td>-</td>
<td>25,416</td>
<td>25,416</td>
</tr>
<tr>
<td>Hedge fund of funds</td>
<td>-</td>
<td>-</td>
<td>25,416</td>
<td>25,416</td>
</tr>
<tr>
<td>Accrued interest and other</td>
<td>-</td>
<td>2,036</td>
<td>-</td>
<td>2,036</td>
</tr>
<tr>
<td>Beneficial interest in trusts</td>
<td>-</td>
<td>-</td>
<td>25,587</td>
<td>25,587</td>
</tr>
<tr>
<td><strong>Total assets at fair value</strong></td>
<td>$269,012</td>
<td>$701,931</td>
<td>$57,305</td>
<td>$1,028,248</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liabilities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Obligations under interest rate swap agreements</td>
<td>-</td>
<td>$25,261</td>
<td>-</td>
<td>$25,261</td>
</tr>
<tr>
<td><strong>Total liabilities at fair value</strong></td>
<td>-</td>
<td>$25,261</td>
<td>-</td>
<td>$25,261</td>
</tr>
</tbody>
</table>

(a) This class includes investments in mutual funds that allocate assets among equity and fixed-income investments, and includes $6,987 (35%) in fixed-income securities and $13,253 (65%) in equity securities at June 30, 2012.

### Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

The Level 2 and Level 3 instruments listed in the preceding fair value tables use the following valuation techniques and inputs as of the valuation date:

**Marketable Securities and Short-term Investments** – Marketable securities classified as Level 2 are invested in a short-term collective fund that serves as an investment vehicle for cash reserves. Fair value was determined using the calculated NAV as of the valuation date, based on a constant price. These funds are invested in high-grade, short-term money market instruments with daily liquidity.

**U.S. Government and Agency Securities** – The fair value of investments in U.S. government and agency securities classified as Level 2 was primarily determined using techniques consistent with the market approach, including matrix pricing. Significant observable inputs to the market approach include institutional bids, trade data, broker and dealer quotes, discount rates, issuer spreads, and benchmark yield curves.

**Corporate Bonds and Fixed-Income Mutual Funds** – The fair value of investments in corporate bonds of U.S. and international issuers, including mutual and commingled funds that invest primarily in such bonds, classified as Level 2 was primarily determined using techniques that are consistent with the market approach. Significant observable inputs include benchmark yield curves, reported trades, observable broker or dealer quotes, issuer spreads, and security-specific characteristics. Significant unobservable inputs may be used, including bid or ask/offer quotes that are uncorroborated, which results in a Level 3 classification.

**Collateralized Securities and Other** – This class encompasses collateralized bond obligations, collateralized loan obligations, collateralized mortgage obligations, and any other asset-backed securities, including government asset-backed securities. This class also includes international government securities and agencies, municipal bonds, convertible equity, real estate funds, and some commercial paper. The fair value of collateralized and other obligations classified as Level 2 was determined using techniques consistent with the market and income approach, such as discounted cash flows and matrix pricing. Significant observable inputs include prepayment spreads, discount rates, reported trades, benchmark yield curves, volatility measures, and quotes. Significant unobservable inputs may be used, including bid or ask/offer quotes that are uncorroborated, which results in a Level 3 classification.
U.S. and International Equity Securities – The fair value of U.S. and international equity securities classified as Level 2 was primarily determined using the calculated NAV at the valuation date under a market approach. This includes investments in commingled funds that invest primarily in domestic and foreign equity securities whose underlying values are based on Level 1 inputs. The NAV is often corroborated through ongoing redemption or subscription activity. Certain common and preferred stocks held by Rush under this classification may not have available current market quotes and were primarily valued using techniques consistent with the market approach utilizing significant observable inputs, such as mid, bid, and ask or offer quotes.

World Asset Allocation Funds - This category includes investments in fund of funds that seek to provide both capital appreciation and income by investing primarily in both traditional and alternative asset funds. The asset allocation is driven by the fund manager’s long-range forecasts of asset-class real returns. Investments in this category classified as Level 2 are held in a commingled fund that invests primarily in global equity and bond mutual funds. The fair value of this commingled fund is based upon the calculated NAV at the valuation date under a market approach (Level 2 inputs). Investments in this category classified as Level 3, which are invested in a multistrategy hedge fund, are priced on the last business day of each calendar month. The values for underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals (Level 3 inputs). The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

Hedge Fund of Funds – This class includes diversified investments in hedge fund of funds with diverse strategies, including equity long/short, credit long/short, event-driven, relative value, global opportunities, and other multistrategy funds. Hedge fund of funds investments are valued based on Rush’s ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. Rush routinely monitors and assesses methodologies and assumptions used in valuing these interests. The values for underlying investments are estimated either internally or by an external fund manager based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals. Hedge fund investments also include certain liquidity restrictions that may require 65 to 95 days advance notice for redemptions. Due to significant unobservable inputs used in estimating the NAV and liquidity restrictions, Rush classifies all hedge fund investments as Level 3.

Private Equity Partnerships – Effective July 1, 2012, Rush elected to measure all new private equity partnerships entered into on or after July 1, 2012, at fair value (see Note 2). Private equity partnerships are valued based on the estimated fair values of the nonmarketable private equity partnerships in which it invests (Level 3 inputs), which is an equivalent of NAV. The partnerships’ privately held investments are restricted and are not actively traded and may invoke significant redemption restrictions, which vary per partnership agreement.

Beneficial Interest in Trusts – The fair value of beneficial interests in perpetual and charitable trusts classified as Level 3 was determined using an income approach based on the present value of expected future cash flows to be received from the trust or based on Rush’s beneficial interest in the investments held in the trust measured at fair value. Since Rush is unable to liquidate the funds held and benefits only from the distributions generated off of such investments, the interests in such trusts are all shown in Level 3.

Obligations Under Interest Rate Swap Agreements – The fair value of Rush’s obligations under interest rate swap agreements classified as Level 2 is valued using a market approach. The valuation is 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 Rush’s consolidated balance sheets includes an adjustment for the Obligated Group’s credit risk, but may not be indicative of the value Rush would be required to pay upon early termination of the swap agreements.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while Rush believes that its methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.
Level 3 Rollforward

A rollforward of the amounts in the consolidated balance sheets for financial instruments classified by Rush within Level 3 of the fair value hierarchy is as follows:

<table>
<thead>
<tr>
<th>Hedge Fund of Funds &amp; Private Equity Partnerships</th>
<th>Beneficial Interest in Trusts</th>
<th>Total Assets at Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value — June 30, 2011 $32,262 $27,536 $59,798</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual return on investments —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized losses (538)</td>
<td>(1,949)</td>
<td>(2,487)</td>
</tr>
<tr>
<td>Purchases</td>
<td>453</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>(459)</td>
<td>-</td>
</tr>
<tr>
<td>Fair value — June 30, 2012 31,718 25,587 57,305</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actual return on investments —</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized gains 2,983 1,035 4,018</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases</td>
<td>3,317</td>
<td>-</td>
</tr>
<tr>
<td>Sales</td>
<td>(25)</td>
<td>-</td>
</tr>
<tr>
<td>Fair value — June 30, 2013 $37,993 $26,622 $64,615</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

For the year ended June 30, 2013, realized and unrealized losses pertaining to Level 3 investments include $31 reported within excess of revenue over expenses and $2,952 and $1,035 reported within temporarily and permanently restricted net assets, respectively. For the year ended June 30, 2012, realized and unrealized losses pertaining to Level 3 investments include $9 reported within excess of revenue over expenses and $528 and $1,949 reported within temporarily and permanently restricted net assets, respectively.

Investments in Entities that Report Fair Value Using NAV

Included within the fair value table above are investments in certain entities that report fair value using a calculated NAV or its equivalent and are classified as Level 2 or Level 3 investments. The following table summarizes the attributes relating to the nature and risk of such investments as of June 30, 2013:

<table>
<thead>
<tr>
<th>Entities that Report Fair Value Using NAV</th>
<th>Fair Value 2013 (In Thousands)</th>
<th>Fair Value 2012 (In Thousands)</th>
<th>Unfunded Commitments (In Thousands)</th>
<th>Redemption Frequency (If Currently Eligible)</th>
<th>Redemption Notice Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>Short-term collective funds (marketable securities and short-term investments)</td>
<td>$18,072</td>
<td>$94,275</td>
<td>None</td>
<td>Daily</td>
<td>None</td>
</tr>
<tr>
<td>Fixed-income mutual funds</td>
<td>272,271</td>
<td>156,230</td>
<td>None</td>
<td>Daily</td>
<td>1–7 days</td>
</tr>
<tr>
<td>Domestic equity commingled funds</td>
<td>4,456</td>
<td>3,872</td>
<td>None</td>
<td>Monthly</td>
<td>30 days</td>
</tr>
<tr>
<td>International equity commingled funds</td>
<td>45,397</td>
<td>42,501</td>
<td>None</td>
<td>Daily/Monthly</td>
<td>1–30 days</td>
</tr>
<tr>
<td>World asset allocation commingled funds</td>
<td>31,461</td>
<td>22,423</td>
<td>None</td>
<td>Monthly</td>
<td>1–14 days</td>
</tr>
<tr>
<td>Hedge fund of funds</td>
<td>27,970</td>
<td>25,416</td>
<td>None</td>
<td>Quarterly</td>
<td>65–95 days</td>
</tr>
<tr>
<td>Private equity partnerships</td>
<td>40</td>
<td>0</td>
<td>$6,916</td>
<td>Not currently redeemable</td>
<td>N/A</td>
</tr>
</tbody>
</table>
7. **ENDOWMENT FUNDS**

Rush’s endowment consists of more than 380 individual funds, which are established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

**Interpretation of Relevant Law**

Rush has interpreted the Uniform Prudent Management of Institutional Funds Act (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, Rush 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, Rush considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

- The duration and preservation of the fund
- The purposes of the organization and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the organization
- The investment policies of the organization

**Endowment Investment and Spending Policies**

Rush 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, including professorships, research and education, free care, student financial aid, scholarships, and fellowships. Approximately 17% of Rush’s endowment is available for general purposes.

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, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation and Range</th>
<th>Percentage of Endowment Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global equity</td>
<td>40%(+/-5%)</td>
<td>40%(+/-5%)</td>
</tr>
<tr>
<td>World asset allocation</td>
<td>10%(+/-5%)</td>
<td>10%(+/-5%)</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>5%(+/-5%)</td>
<td>5%(+/-5%)</td>
</tr>
<tr>
<td>Private equity</td>
<td>10%(+/-5%)</td>
<td>10%(+/-5%)</td>
</tr>
<tr>
<td>Real estate</td>
<td>5%(+/-5%)</td>
<td>5%(+/-5%)</td>
</tr>
<tr>
<td>Fixed income</td>
<td>30%(+/-5%)</td>
<td>30%(+/-5%)</td>
</tr>
</tbody>
</table>

To achieve its long-term rate of return objectives, Rush 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 7.5%. Actual returns in any given year may vary from this amount. Rush 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, Rush’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 4.0% for the fiscal years ended June 30, 2013 and 2012, respectively, and income from the endowment fund provided $16,386 million and $16,014 million of support for Rush’s programs during the fiscal years ended June 30, 2013 and 2012, respectively. The spending rate for fiscal year 2011 was based on a three-year moving average of ending market values for pooled assets. Effective September 30, 2011, Rush changed the spending policy to lengthen the smoothing period from a three-year moving average to a five-year moving average and also added an inflation component to provide more consistent spending growth.

**Composition of Endowment Fund and Reconciliation**

The endowment net asset composition by type of fund as of June 30, 2013, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 229,057</td>
<td>$ 248,083</td>
<td>$ 477,140</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>4,898</td>
<td>-</td>
<td>534</td>
<td>5,432</td>
</tr>
<tr>
<td><strong>Total funds</strong></td>
<td>$ 4,898</td>
<td>$ 229,057</td>
<td>$ 248,617</td>
<td>$ 482,572</td>
</tr>
</tbody>
</table>

Changes in endowment net assets for the fiscal year ended June 30, 2013, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets — beginning of year</td>
<td>$ 4,427</td>
<td>$ 196,142</td>
<td>$ 242,120</td>
<td>$ 442,689</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment (loss) income</td>
<td>(101)</td>
<td>6,864</td>
<td>621</td>
<td>7,384</td>
</tr>
<tr>
<td>Recovery of endowment impairment</td>
<td>-</td>
<td>-</td>
<td>(233)</td>
<td>(233)</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>447</td>
<td>42,101</td>
<td>1,268</td>
<td>43,816</td>
</tr>
<tr>
<td>Total investment return</td>
<td>346</td>
<td>48,965</td>
<td>1,656</td>
<td>50,967</td>
</tr>
<tr>
<td>Contributions</td>
<td>125</td>
<td>-</td>
<td>5,462</td>
<td>5,587</td>
</tr>
<tr>
<td>Transfer of unrestricted endowment appreciation</td>
<td>-</td>
<td>(16,050)</td>
<td>(621)</td>
<td>(16,671)</td>
</tr>
<tr>
<td>Endowment net assets — end of year</td>
<td>$ 4,898</td>
<td>$ 229,057</td>
<td>$ 248,617</td>
<td>$ 482,572</td>
</tr>
</tbody>
</table>

The endowment net asset composition by type of fund as of June 30, 2012, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Donor-restricted endowment funds</td>
<td>$ -</td>
<td>$ 196,142</td>
<td>$ 241,586</td>
<td>$ 437,728</td>
</tr>
<tr>
<td>Board-designated endowment funds</td>
<td>4,427</td>
<td>-</td>
<td>534</td>
<td>4,961</td>
</tr>
<tr>
<td><strong>Total funds</strong></td>
<td>$ 4,427</td>
<td>$ 196,142</td>
<td>$ 242,120</td>
<td>$ 442,689</td>
</tr>
</tbody>
</table>
Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Unrestricted</th>
<th>Temporarily Restricted</th>
<th>Permanently Restricted</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets — beginning of year</td>
<td>4,715</td>
<td>207,602</td>
<td>234,489</td>
<td>446,806</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment (loss) income</td>
<td>(92)</td>
<td>7,752</td>
<td>324</td>
<td>7,984</td>
</tr>
<tr>
<td>Funding of endowment impairment</td>
<td>-</td>
<td>-</td>
<td>233</td>
<td>233</td>
</tr>
<tr>
<td>Net depreciation (realized and unrealized)</td>
<td>(71)</td>
<td>(3,555)</td>
<td>(2,507)</td>
<td>(6,133)</td>
</tr>
<tr>
<td>Total investment return</td>
<td>(163)</td>
<td>4,197</td>
<td>(1,950)</td>
<td>2,084</td>
</tr>
<tr>
<td>Contributions</td>
<td>(125)</td>
<td>-</td>
<td>9,581</td>
<td>9,456</td>
</tr>
<tr>
<td>Transfer of unrestricted endowment appreciation</td>
<td>-</td>
<td>(15,657)</td>
<td>-</td>
<td>(15,657)</td>
</tr>
<tr>
<td>Endowment net assets — end of year</td>
<td>4,427</td>
<td>196,142</td>
<td>242,120</td>
<td>442,689</td>
</tr>
</tbody>
</table>

**Fund Deficiencies**

Rush monitors the accumulated losses on permanently restricted investments to determine whether the endowment corpus has been impaired and restores these losses through unrestricted net assets, as necessary. During the year ended June 30, 2013, $233 was recovered and replenished through unrestricted net assets. During the year ended June 30, 2012, funding of $233 was required to restore the endowment corpus balance.

**8. PROPERTY AND EQUIPMENT**

Property and equipment as of June 30, 2013 and 2012, consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and buildings</td>
<td>$ 1,906,997</td>
<td>$ 1,897,009</td>
</tr>
<tr>
<td>Equipment</td>
<td>549,283</td>
<td>570,370</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>36,347</td>
<td>21,455</td>
</tr>
<tr>
<td></td>
<td>2,492,627</td>
<td>2,488,834</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(1,116,509)</td>
<td>(1,062,105)</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>$ 1,376,118</td>
<td>$ 1,426,729</td>
</tr>
</tbody>
</table>

Property and equipment, net, includes $69,802 and $72,493 in leased buildings and equipment as of June 30, 2013 and 2012, respectively. Accumulated depreciation on leased property and equipment amounted to $36,292 and $33,575 as of June 30, 2013 and 2012, respectively.

**9. LONG-TERM DEBT AND CREDIT ARRANGEMENTS**

Rush’s long-term debt is issued under a Master Trust Indenture, which established an Obligated Group composed 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, 2013 and 2012, such issuances are secured by a pledge of gross receipts and a mortgage on primary health care facilities, as defined, of the Obligated Group members.
A summary of Rush’s long-term debt as of June 30, 2013 and 2012, is as follows:

<table>
<thead>
<tr>
<th>Illinois Finance Authority Revenue Bonds:</th>
<th>Interest Rates</th>
<th>Final Maturity Date</th>
<th>Amount Outstanding at June 30,</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed-rate revenue bonds:</td>
<td></td>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Series 2009 C/D</td>
<td>6.2% to 6.625%</td>
<td>November 1, 2039</td>
<td>$200,000</td>
</tr>
<tr>
<td>Series 2009 A/B</td>
<td>5.0% to 7.25%</td>
<td>November 1, 2038</td>
<td>211,620</td>
</tr>
<tr>
<td>Series 2006B</td>
<td>5.0% to 5.75%</td>
<td>November 1, 2035</td>
<td>95,950</td>
</tr>
<tr>
<td>Total fixed-rate debt</td>
<td></td>
<td></td>
<td>507,570</td>
</tr>
<tr>
<td>Variable-rate revenue bonds:</td>
<td>Average of 0.17% and 0.13% in FY2013 and FY2012, respectively.</td>
<td>November 1, 2045</td>
<td>50,000</td>
</tr>
<tr>
<td>Series 2008A</td>
<td></td>
<td></td>
<td>100,895</td>
</tr>
<tr>
<td>Total variable-rate debt</td>
<td></td>
<td></td>
<td>608,465</td>
</tr>
<tr>
<td>Mortgage loan, collateralized by fitness center</td>
<td>5.50%</td>
<td>May 2016</td>
<td>7,206</td>
</tr>
<tr>
<td>Total par value of debt</td>
<td></td>
<td></td>
<td>615,671</td>
</tr>
<tr>
<td>Less current portion of long-term debt</td>
<td>(12,065)</td>
<td></td>
<td>(6,610)</td>
</tr>
<tr>
<td>Net discount</td>
<td>(6,440)</td>
<td></td>
<td>(6,440)</td>
</tr>
<tr>
<td>Long-term debt</td>
<td></td>
<td></td>
<td>$597,166</td>
</tr>
<tr>
<td>Estimated fair value based on quoted market prices and other relevant information (Level 2 classification)</td>
<td></td>
<td></td>
<td>$659,913</td>
</tr>
</tbody>
</table>

The fair value of Rush’s long-term debt is estimated by an independent third party using a pricing scale based on spreads to MMD of comparable transactions that price in the market as well as secondary market trades for comparable credits. Since such amounts are estimates based on limited available market information and do not acknowledge certain restrictions that may exist, the actual fair market values for these obligations may differ significantly from what is provided herein or upon settlement of the obligation.

Under its various indebtedness agreements, 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 days 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, 2013 and 2012.
Annual maturities of outstanding long-term debt are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$ 11,320</td>
</tr>
<tr>
<td>2015</td>
<td>$ 12,140</td>
</tr>
<tr>
<td>2016</td>
<td>$ 6,320</td>
</tr>
<tr>
<td>2017</td>
<td>$ 8,805</td>
</tr>
<tr>
<td>2018</td>
<td>$ 9,975</td>
</tr>
<tr>
<td>Thereafter</td>
<td>559,905</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$ 608,465</strong></td>
</tr>
</tbody>
</table>

**Letters of Credit Arrangements**

The Obligated Group’s variable-rate revenue bonds 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 entered into letters of credit with commercial banks to provide funding for such repurchases, as necessary. The letter of credit related to the Series 2008A Variable Rate Demand Bonds (the “Series 2008A Bonds”) expires in February 2015. Any amounts borrowed under these letters of credit are due and payable more than one year from the date of such borrowing. In the absence of such agreement, the Obligated Group would be required to replace it with a similar credit arrangement, convert the related debt from variable to fixed interest rate, or fund required repurchases from available funds. Draws are routinely made from the letter of credit to pay off principal and interest and are reimbursed to the commercial bank on the following business day. As of June 30, 2013 and 2012, there were outstanding draws against the letter of credit related to the Series 2008A Bonds representing interest paid to the bondholders on July 1, 2013 and 2012, of $3 and $7, respectively.

**Recent Financing Activity**

On December 16, 2011, the IFA issued $56 million of revenue-refunding bonds on behalf of the Obligated Group (the “Series 2011 bonds”). The Series 2011 bonds were purchased by a commercial bank in a tax-exempt private placement, the proceeds of which were lent to Rush and used to redeem all outstanding Series 1998A bonds. The Series 2011 bonds mature on November 1, 2024, and bear interest at a tax-exempt variable rate for a 10-year period, which resets monthly. Rush is party to an additional covenants agreement with the commercial bank relating to the Series 2011 bonds. This agreement requires various reporting, operating, and financial covenants to be maintained. During the year ended June 30, 2012, RUMC recognized a loss on debt extinguishment of $960 related to the Series 1998A bonds’ redemption.

**Lines of Credit Arrangements**

The Obligated Group also had a $100 million short-term line of credit with a bank as of June 30, 2013 and 2012, which matures on December 31, 2015. Any borrowings on this short-term line of credit are due and payable in 180 days. As of June 30, 2013 and 2012, the Obligated Group had no amounts outstanding on this line of credit.

**10. 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, credit, and termination, as described below, and the Obligated Group has defined risk management practices to mitigate these risks.
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. Management periodically reviews existing derivative positions as its risk tolerance and cost of capital changes over time.

**Interest Rate Swap Agreements**

The Obligated Group has two interest rate swap agreements (the “Swap Agreements”), which were designed 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 London InterBank Offered Rate (0.195% as of June 30, 2013, and 0.246% as of June 30, 2012) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2013 and 2012, the Swap Agreements had a notional amount of $95,950 and $96,750, respectively ($47,975 and $48,375 in notional amount, respectively, with each counterparty). Following the refinancing of the Series 2006A Bonds, the Obligated Group used $50,000 in notional amount of the Swap Agreements to synthetically fix the interest on the Series 2008A Bonds. The Swap Agreements each expire on November 1, 2035, and amortize annually commencing in November 2012. The Swap Agreements are secured by obligations issued under the Master Trust Indenture.

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 market value of the Swap Agreements exceeds $(25,000) or $(12,500) for each Swap Agreement. As of June 30, 2013, the Obligated Group had no collateral posted under Swap Agreements.

The fair value of the Swap Agreements was as follows as of June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th>Reported As</th>
<th>June 30</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
</tr>
<tr>
<td>Obligations under Swap Agreements</td>
<td>(17,808)</td>
</tr>
<tr>
<td>Collateral posted under Swap Agreements</td>
<td>-</td>
</tr>
<tr>
<td>Obligations under Swap Agreements, net</td>
<td>(17,808)</td>
</tr>
</tbody>
</table>

The fair value of the Swap Agreements reported in Rush’s balance sheets as of June 30, 2013 and 2012, includes an adjustment for the Obligated Group’s credit risk and may not be indicative of the termination value that Rush 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 statements of operations and changes in net assets for the Swap Agreements allocated to Rush for the fiscal years ended June 30, 2013 and 2012, were as follows:

<table>
<thead>
<tr>
<th>Reported As</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Change in fair value of interest rate swaps</td>
<td>$7,451</td>
<td>$(10,756)</td>
</tr>
<tr>
<td>Net cash payments on interest rate swaps</td>
<td>$(3,597)</td>
<td>$(3,654)</td>
</tr>
</tbody>
</table>

11. OBLIGATIONS UNDER CAPITAL LEASE AND DEFERRED FINANCING ARRANGEMENTS

Rush is party to certain capital lease and long-term financing arrangements relating to medical and office equipment and buildings. Expiration of leases ranges from 2013 to 2026. Annual interest expense under these lease agreements was $3,644 and $3,531 for the years ended June 30, 2013 and 2012, respectively. Assets acquired under capital lease and long-term financing arrangements are included in property and equipment, net in the accompanying consolidated balance sheets.

Future minimum lease payments under noncancelable capital leases and other financing arrangements are as follows:

<table>
<thead>
<tr>
<th>Years Ending June 30</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$8,026</td>
</tr>
<tr>
<td>2015</td>
<td>13,795</td>
</tr>
<tr>
<td>2016</td>
<td>6,679</td>
</tr>
<tr>
<td>2017</td>
<td>7,921</td>
</tr>
<tr>
<td>2018</td>
<td>5,005</td>
</tr>
<tr>
<td>Thereafter</td>
<td>21,410</td>
</tr>
<tr>
<td>Total minimum payments</td>
<td>62,836</td>
</tr>
<tr>
<td>Less amount representing interest</td>
<td>(15,208)</td>
</tr>
<tr>
<td>Net present value of obligations under capital lease and other financing arrangements</td>
<td>47,628</td>
</tr>
<tr>
<td>Less current portions included in accounts payable</td>
<td>(4,591)</td>
</tr>
<tr>
<td>Long-term portion of obligations under capital lease and other financing arrangements</td>
<td>$43,037</td>
</tr>
</tbody>
</table>

12. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

Rush maintains a defined benefit pension plan, defined contribution plans, and other postretirement benefit plans that together cover substantially all of Rush’s employees.

Prior to January 1, 2012, Rush had 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. Plan assets and obligations are measured as of June 30 (the “Measurement Date”) each year.
Effective as of the close of business on December 31, 2011, the Pension Plan, representing certain union employees, was amended to freeze benefit accruals for all participants. No additional benefits will accrue, and no additional individuals will become plan participants in the Pension Plan as of January 1, 2012. Also, effective December 31, 2011, the Pension Plan was merged into the Retirement Plan with all accrued benefits of the Pension Plan participants preserved as part of the merger. Effective January 1, 2012, the Retirement Plan was amended to include eligible union members previously covered by the Pension Plan.

In addition to the pension programs, Rush also provides postretirement health care benefits for certain employees (the “Postretirement Healthcare Plans”). Further benefits under the Postretirement Healthcare Plans have been curtailed.

**Obligations and Funded Status**

The table below sets forth the accumulated benefit obligation, the change in the projected benefit obligation, and the change in the plan assets of the Defined Benefit Pension Plan(s) and Postretirement Healthcare Plans (collectively, the “Plans”). The table also reflects the funded status of the Plans as of the Measurement Date and amounts recognized in Rush’s consolidated balance sheets as of June 30, 2013 and 2012.

<table>
<thead>
<tr>
<th>Obligations and Funded Status</th>
<th>Defined Benefit Pension Plan(s)</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Actuarial present value of benefit obligations — accumulated benefit obligation</td>
<td>$878,769</td>
<td>$932,358</td>
</tr>
<tr>
<td>Change in projected benefit obligations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation — beginning of measurement period</td>
<td>$933,774</td>
<td>$797,320</td>
</tr>
<tr>
<td>Service costs</td>
<td>16,386</td>
<td>18,825</td>
</tr>
<tr>
<td>Interest costs</td>
<td>42,112</td>
<td>42,980</td>
</tr>
<tr>
<td>Plan settlements</td>
<td>(370)</td>
<td>-</td>
</tr>
<tr>
<td>Actuarial (gains) losses</td>
<td>(53,433)</td>
<td>106,648</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(55,158)</td>
<td>(31,999)</td>
</tr>
<tr>
<td>Projected benefit obligation — end of measurement period</td>
<td>$883,311</td>
<td>$933,774</td>
</tr>
<tr>
<td>Change in plan assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fair value of plan assets — beginning of measurement period</td>
<td>$772,343</td>
<td>$666,327</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>42,640</td>
<td>101,037</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>45,870</td>
<td>36,978</td>
</tr>
<tr>
<td>Plan participant contributions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefits paid</td>
<td>(55,528)</td>
<td>(31,999)</td>
</tr>
<tr>
<td>Fair value of plan assets — end of measurement period</td>
<td>$805,325</td>
<td>$772,343</td>
</tr>
<tr>
<td>Accrued benefit liability</td>
<td>$ 77,986</td>
<td>$161,431</td>
</tr>
</tbody>
</table>

The actuarial cost method used to compute the Defined Benefit Pension Plan(s) liabilities and expenses is the projected unit credit method.
The components of net periodic pension cost for the Plans were as follows:

<table>
<thead>
<tr>
<th>Components of Net Periodic Pension Cost</th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year Ended June 30</td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Net periodic pension cost comprised the following:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Service cost</td>
<td>$ 16,386</td>
<td>$ 18,825</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>42,112</td>
<td>42,980</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(54,749)</td>
<td>(51,282)</td>
</tr>
<tr>
<td>Amortization of prior service cost and other actuarial amounts</td>
<td>(2,074)</td>
<td>(2,265)</td>
</tr>
<tr>
<td>Recognized actuarial loss (gain)</td>
<td>22,385</td>
<td>16,994</td>
</tr>
<tr>
<td>Recognized settlement loss</td>
<td>41</td>
<td>-</td>
</tr>
<tr>
<td><strong>Net periodic pension cost (credit)</strong></td>
<td><strong>$ 24,101</strong></td>
<td><strong>$ 25,252</strong></td>
</tr>
</tbody>
</table>

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 health care plans are included as a separate increase (decrease) to unrestricted net assets and total $62,776 and $(43,619) for fiscal years 2013 and 2012, respectively. For fiscal year 2013, this amount includes actuarial gains arising during fiscal year 2013 of $42,891 and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2013 of $19,885. For fiscal year 2012, this amount includes actuarial losses arising during fiscal year 2012 of $(57,330) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2012 of $13,711.

The table below sets forth the change in the accrued benefit liability of the Plans.

<table>
<thead>
<tr>
<th>Accrued Benefit Liability</th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Accrued benefit liability — beginning of year</td>
<td>$161,431</td>
<td>$130,992</td>
</tr>
<tr>
<td>Fiscal year activity:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net periodic pension cost</td>
<td>24,101</td>
<td>25,252</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>(45,870)</td>
<td>(36,978)</td>
</tr>
<tr>
<td>Postretirement-related changes other than net periodic postretirement cost:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Actuarial losses (gains)</td>
<td>(41,324)</td>
<td>56,894</td>
</tr>
<tr>
<td>Reclassification adjustment for losses reflected in periodic expense</td>
<td>(20,352)</td>
<td>(14,729)</td>
</tr>
<tr>
<td>Accrued benefit liability — end of year</td>
<td>$77,986</td>
<td>$161,431</td>
</tr>
</tbody>
</table>

Recognized in the consolidated balance sheets as follows:

<table>
<thead>
<tr>
<th>Recognized in the consolidated balance sheets as follows:</th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued expenses</td>
<td>$ -</td>
<td>$ -</td>
</tr>
<tr>
<td>Noncurrent liabilities</td>
<td>77,986</td>
<td>161,431</td>
</tr>
<tr>
<td></td>
<td>$77,986</td>
<td>$161,431</td>
</tr>
</tbody>
</table>
In accordance with FASB ASC Topic 715 Compensation—Retirement Benefits, all previously unrecognized actuarial losses are reflected in the consolidated balance sheets. The pension plan and postretirement benefit plan items not yet recognized as a component of periodic pension and postretirement medical plan expense, but included within unrestricted net assets, as of and for the years ended June 30, 2013 and 2012, are as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrecognized prior service credit</td>
<td>$10,487</td>
<td>$12,561</td>
<td>$719</td>
<td>$1,013</td>
</tr>
<tr>
<td>Unrecognized net actuarial (loss) gain</td>
<td>$(203,788)</td>
<td>$(267,536)</td>
<td>1,441</td>
<td>46</td>
</tr>
<tr>
<td>Total</td>
<td>$(193,301)</td>
<td>$(254,975)</td>
<td>$2,160</td>
<td>$1,059</td>
</tr>
</tbody>
</table>

An estimated $2,051 in prior service credit and ($16,855) in net actuarial loss will be included as components of periodic pension expense in fiscal year 2014. An estimated $287 in prior service credit and $542 in net actuarial gain will be included as components of periodic postretirement expense in fiscal year 2014.

**Assumptions**

The actuarial assumptions used to determine benefit obligations at the measurement date and net periodic benefit cost for the Plans are as follows:

<table>
<thead>
<tr>
<th>Assumptions Used to Determine Benefit Obligations and Net Periodic Benefit Cost</th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2013</td>
<td>2012</td>
</tr>
<tr>
<td>Discount rate — benefit obligation</td>
<td>5.20 %</td>
<td>4.60 %</td>
</tr>
<tr>
<td>Discount rate — pension expense</td>
<td>4.60</td>
<td>5.50</td>
</tr>
<tr>
<td>Rate of increase in compensation levels</td>
<td>5.35</td>
<td>5.38</td>
</tr>
<tr>
<td>Expected long-term rate of return on plan assets</td>
<td>7.00</td>
<td>7.50</td>
</tr>
<tr>
<td>Health care cost trend rate (initial)</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

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

The discount rate used 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. Rush 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 Plan(s) and the Postretirement Healthcare Plans. For fiscal years 2013 and 2012, the discount rate was estimated under a bond model approach, which is based on a hypothetical bond portfolio whose cash flow from coupons and maturities match the year-by-year Plans’ cash flows using bonds rated AA or better.

For the years ended June 30, 2013 and 2012, the actual rate of return on plan assets was 5.8% and 15.7%, respectively.
Plan Assets

Rush’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., equity and alternative investments, consisting of hedge funds and limited partnerships) and interest rate hedging assets (e.g., fixed-income securities).

All of the plan’s assets are measured at fair value, including alternative investments. Fair value methodologies used to assign plan assets to levels of FASB’s valuation hierarchy are consistent with the inputs described in Note 6. Fair value methodologies used to value interests in private equity limited partnerships that hold restricted securities and are not publicly traded are based on Rush’s ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. Rush routinely monitors and assesses methodologies and assumptions used in valuing these interests. Due to significant unobservable inputs used in estimating the NAV of private equity limited partnerships, Rush classifies all such investments as Level 3.

The fair value of the Defined Benefit Pension Plan assets as of June 30, 2013 and 2012, is as follows:

<table>
<thead>
<tr>
<th>Fair Value Measurements as of June 30, 2013</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>$ 17,450</td>
<td>$ 13,349</td>
<td>$ -</td>
<td>$ 30,799</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government securities and agencies</td>
<td>-</td>
<td>149,563</td>
<td>-</td>
<td>149,563</td>
</tr>
<tr>
<td>International government securities</td>
<td>-</td>
<td>12,662</td>
<td>-</td>
<td>12,662</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>240,768</td>
<td>-</td>
<td>240,768</td>
</tr>
<tr>
<td>Collateralized securities and other</td>
<td>-</td>
<td>42,433</td>
<td>-</td>
<td>42,433</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>134,623</td>
<td>-</td>
<td>-</td>
<td>134,623</td>
</tr>
<tr>
<td>International equity securities</td>
<td>-</td>
<td>54,879</td>
<td>-</td>
<td>54,879</td>
</tr>
<tr>
<td>World asset allocation funds</td>
<td>64,592</td>
<td>30,617</td>
<td>14,187</td>
<td>109,396</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private equity partnerships (a)</td>
<td>-</td>
<td>-</td>
<td>24,868</td>
<td>24,868</td>
</tr>
<tr>
<td>Accrued interest and other</td>
<td>-</td>
<td>5,724</td>
<td>(390)</td>
<td>5,334</td>
</tr>
<tr>
<td>Total plan assets</td>
<td>$ 216,665</td>
<td>$ 549,995</td>
<td>$ 38,665</td>
<td>$ 805,325</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fair Value Measurements as of June 30, 2012</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash, cash equivalents, and short-term investments</td>
<td>$ 2,275</td>
<td>$ 19,624</td>
<td>$ -</td>
<td>$ 21,899</td>
</tr>
<tr>
<td>Fixed-income securities:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. government securities and agencies</td>
<td>-</td>
<td>129,167</td>
<td>-</td>
<td>129,167</td>
</tr>
<tr>
<td>International government securities</td>
<td>-</td>
<td>16,941</td>
<td>-</td>
<td>16,941</td>
</tr>
<tr>
<td>Corporate bonds</td>
<td>-</td>
<td>258,943</td>
<td>-</td>
<td>258,943</td>
</tr>
<tr>
<td>Collateralized securities and other</td>
<td>-</td>
<td>48,181</td>
<td>-</td>
<td>48,181</td>
</tr>
<tr>
<td>U.S. equity securities</td>
<td>133,951</td>
<td>-</td>
<td>-</td>
<td>133,951</td>
</tr>
<tr>
<td>International equity securities</td>
<td>-</td>
<td>53,287</td>
<td>-</td>
<td>53,287</td>
</tr>
<tr>
<td>World asset allocation funds</td>
<td>39,333</td>
<td>28,651</td>
<td>11,202</td>
<td>79,186</td>
</tr>
<tr>
<td>Alternative investments:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Private equity partnerships (a)</td>
<td>-</td>
<td>-</td>
<td>25,418</td>
<td>25,418</td>
</tr>
<tr>
<td>Accrued interest and other</td>
<td>1,125</td>
<td>4,178</td>
<td>67</td>
<td>5,370</td>
</tr>
<tr>
<td>Total plan assets</td>
<td>$ 176,684</td>
<td>$ 558,972</td>
<td>$ 36,687</td>
<td>$ 772,343</td>
</tr>
</tbody>
</table>

(a) This class includes investments in funds with diverse strategies, including approximately 20% in buyout and growth capital, 38% in diversified fund of funds, 15% in distressed debt and special situations, 24% in venture capital, and 3% in co-investment private equity funds.
A rollforward of the amounts in the Plans for financial instruments classified by Rush within Level 3 of the fair value hierarchy is as follows:

<table>
<thead>
<tr>
<th>Rollforward of Level 3 Investments</th>
<th>Corporate Bonds, Accrued Interest, and Other</th>
<th>Hedge Fund of Private Equity Partnerships</th>
<th>Total Assets at Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value at June 30, 2011</td>
<td>$1,879</td>
<td>$35,553</td>
<td>$22,795</td>
</tr>
<tr>
<td>Actual return on plan assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized gains (losses)</td>
<td>27</td>
<td>(6,359)</td>
<td>1,452</td>
</tr>
<tr>
<td>Purchases</td>
<td>69</td>
<td>3,971</td>
<td>3,520</td>
</tr>
<tr>
<td>Sales</td>
<td>(40)</td>
<td>(13,533)</td>
<td>-</td>
</tr>
<tr>
<td>Settlements</td>
<td>-</td>
<td>(8,430)</td>
<td>(2,349)</td>
</tr>
<tr>
<td>Transfers out of Level 3</td>
<td>(1,868)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair value at June 30, 2012</td>
<td>67</td>
<td>11,202</td>
<td>25,418</td>
</tr>
<tr>
<td>Actual return on plan assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Realized and unrealized gains (losses)</td>
<td>(18)</td>
<td>2,242</td>
<td>1,891</td>
</tr>
<tr>
<td>Purchases</td>
<td>11</td>
<td>743</td>
<td>2,150</td>
</tr>
<tr>
<td>Sales</td>
<td>(450)</td>
<td>-</td>
<td>(4,591)</td>
</tr>
<tr>
<td>Settlements</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Transfers out of Level 3</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Fair value at June 30, 2013</td>
<td>$1,390</td>
<td>$14,187</td>
<td>$24,868</td>
</tr>
</tbody>
</table>

**Cash Flows**

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

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected contributions in 2014</td>
<td>$31,165</td>
<td>$745</td>
</tr>
</tbody>
</table>

**Estimated Benefit Payments**

<table>
<thead>
<tr>
<th></th>
<th>Defined Benefit Pension Plans</th>
<th>Postretirement Healthcare Plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>2014</td>
<td>$70,987</td>
<td>$746</td>
</tr>
<tr>
<td>2015</td>
<td>45,079</td>
<td>765</td>
</tr>
<tr>
<td>2016</td>
<td>49,347</td>
<td>776</td>
</tr>
<tr>
<td>2017</td>
<td>52,048</td>
<td>758</td>
</tr>
<tr>
<td>2018</td>
<td>55,410</td>
<td>775</td>
</tr>
<tr>
<td>2019 through 2023</td>
<td>322,878</td>
<td>3,324</td>
</tr>
<tr>
<td>Total</td>
<td>$595,749</td>
<td>$7,144</td>
</tr>
</tbody>
</table>
Other Postretirement Benefit Plans

Both RUMC and RCMC maintain a voluntary tax-deferred retirement savings plan. Under these defined contribution plans, employees may elect to contribute a percentage of their salary, which may be matched in accordance with the provisions of the plans. Other provisions of the plans may provide for employer contributions to the plans based on eligible earnings regardless of whether the employee elects to contribute to the plan. Maximum annual contributions are limited by federal regulations. Employer contributions to these Plans were $11,248 and $13,932 for the years ended June 30, 2013 and 2012, respectively.

RUMC also sponsors a noncontributory defined contribution plan covering selected employees (“457(b) Plan”). Contributions to the 457(b) Plan are based on a percentage of qualifying compensation up to certain limits as defined by the provisions of the 457(b) Plan. The 457(b) Plan assets and liabilities totaled $12,627 and $10,497 as of June 30, 2013 and 2012, respectively, and are included in investments – less current portion and other long-term liabilities in the accompanying consolidated balance sheets. The assets of the 457(b) Plan are subject to the claims of the general creditors of RUMC.

Rush also sponsors supplemental retirement plans for certain management employees (“Supplemental Plans”). The Supplemental Plans are noncontributory and annual benefits are credited to each participant’s account based on a percentage of qualifying compensation as defined by the provisions of the plan. Assets set aside to fund the Supplemental Plans amounted to $11,410 and $13,115 as of June 30, 2013 and 2012, respectively, and are included in investments – less current portion in the accompanying consolidated balance sheets. These supplemental retirement plans are currently funded at 87% of benefits accrued.

RUMC also maintains a frozen nonqualified supplemental defined benefit retirement plan for certain management employees, which is unfunded. Benefits under the supplemental defined benefit plan, which were curtailed as of December 31, 2004, are paid when incurred from operating funds.

It is Rush’s policy to meet the requirement of the Employee Retirement Income Security Act of 1974 and the Pension Protection Act of 2006.

13. CONCENTRATION OF CREDIT RISK

Rush 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, 2013 and 2012, was as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>13 %</td>
<td>10 %</td>
</tr>
<tr>
<td>Medicaid</td>
<td>15</td>
<td>31</td>
</tr>
<tr>
<td>Managed care</td>
<td>55</td>
<td>46</td>
</tr>
<tr>
<td>Commercial</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Self-pay</td>
<td>14</td>
<td>9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100 %</strong></td>
<td><strong>100 %</strong></td>
</tr>
</tbody>
</table>

Products sponsored by Blue Cross Blue Shield of Illinois, the largest health insurer in the market, accounted for 35% of managed care net patient accounts receivable and 19% of net patient accounts receivable of the Obligated Group for fiscal year ended June 30, 2013.

During fiscal year 2012 and the first half of fiscal year 2013, Rush and other Illinois hospitals experienced a significant delay in payment by the State of Illinois for amounts due under Medicaid and other state-funded programs, which has improved during the second half of fiscal year 2013. Rush experienced a substantial increase in Medicaid net patient accounts receivable from June 30, 2011 to June 30, 2012, which has improved by June 30, 2013. Collections of non-Medicaid receivables have been strong to offset any continuing payment delays on Medicaid receivables.
14. COMMITMENTS AND CONTINGENCIES

Professional Liability

Rush 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 and entity. For the years ended June 30, 2013 and 2012, RUMC retained self-insured risk of $20 million on the first case, $15 million on the second case, and $10 million on any additional cases. RUMC also maintains excess liability insurance coverage with combined limits of $80 million per occurrence and in the aggregate. From October 1986 through December 2009, RCMC participated in a retrospectively rated pooled insurance program (Chicago Hospital Risk Pooling Program (CHRPP)) and retained self-insured risk to $1 million per occurrence and $3 million annual aggregate, with excess coverage limits of $10 million per occurrence and $20 million annual aggregate. Starting on January 1, 2010, RCMC maintains a self-insurance program for claims not covered under the CHRPP plan and retained self-insured risk of $2 million per claim and $10 million annual aggregate with $1,000 per claim and $1,000 aggregate buffer. Under the terms of the CHRPP arrangement, RCMC can be charged retrospective premiums if actuarially determined funding for the group insurance program in which it participates proves inadequate. RCMC also maintains excess liability insurance coverage with combined limits of $35 million per claim and in the aggregate. Amounts above the specified self-insured limits are insured through purchased insurance policies. Insurance is purchased on a claims-made basis. RUMC has an established irrevocable trust fund, and RCMC has an established separate account, to pay claims and related costs.

Rush 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 Rush’s actual payout patterns and various other assumptions. Rush’s self-insured liabilities of $233,068 and $236,985 as of June 30, 2013 and 2012, respectively, are recorded as noncurrent and current liabilities in the accompanying consolidated balance sheets, as appropriate, and based on the estimated present value of self-insured claims that will be settled in the future. If the present value method was not used, Rush’s liability for self-insured claims would be approximately $32,964 and $29,920 higher than the amounts recorded in the consolidated balance sheets as of June 30, 2013 and 2012, respectively. The discount rates used in calculating the present value by organization was 4% for fiscal years ended June 30, 2013 and 2012. As of June 30, 2013 and 2012, insurance recoveries are presented separately within noncurrent and current assets in the accompanying consolidated balance sheets, as appropriate.

During fiscal years 2012 and 2013, actual experience on Rush’s self-insurance claims was as projected.

Rush is subject to various other regulatory investigations, legal proceedings, and claims that 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 Rush.
Obligations under Operating Leases

Rush is party to various noncancelable operating leases with third parties. Rental expense was approximately $23,714 and $20,423 for the years ended June 30, 2013 and 2012, respectively, and was included in supplies, utilities, and other expenses in the accompanying consolidated statements of operations and changes in net assets. Total minimum payments under noncancelable operating leases as of June 30, 2013, are as follows:

<table>
<thead>
<tr>
<th>Years Ending</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>Thereafter</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$74,578</td>
</tr>
</tbody>
</table>

15. 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 $1.1 billion to complete over a 13-year period (fiscal year 2004 to fiscal year 2016). As of June 30, 2013, $1.0 billion has been spent on the campus redevelopment plan, and construction commitments outstanding were $18.8 million.

16. PROMISES TO CONTRIBUTE

Included in assets limited by donor or time restriction are the following unconditional promises to contribute as of June 30, 2013 and 2012.

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital campaign</td>
<td>$ 36,791</td>
<td>$ 39,956</td>
</tr>
<tr>
<td>Restricted to future periods</td>
<td>162</td>
<td>1,887</td>
</tr>
<tr>
<td>Unconditional promises to contribute before unamortized discount and allowance for uncollectibles</td>
<td>36,953</td>
<td>41,843</td>
</tr>
<tr>
<td>Less unamortized discount</td>
<td>(1,506)</td>
<td>(1,878)</td>
</tr>
<tr>
<td>Less allowance for uncollectibles</td>
<td>(709)</td>
<td>(1,270)</td>
</tr>
<tr>
<td>Net unconditional promises to contribute</td>
<td>$ 34,738</td>
<td>$ 38,695</td>
</tr>
<tr>
<td>Amounts due in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>$ 12,321</td>
<td>$ 13,677</td>
</tr>
<tr>
<td>One to five years</td>
<td>18,732</td>
<td>22,266</td>
</tr>
<tr>
<td>More than five years</td>
<td>5,900</td>
<td>5,900</td>
</tr>
<tr>
<td>Total unconditional promises to contribute</td>
<td>$ 36,953</td>
<td>$ 41,843</td>
</tr>
</tbody>
</table>
In addition, Rush has received conditional promises to contribute that are not recognized as assets in the consolidated balance sheet as of June 30, 2013. The total is not considered material to the consolidated financial statements as of June 30, 2013.

17. **TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS**

Temporarily and permanently restricted net assets were available for the following purposes as of June 30, 2013 and 2012:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily Restricted Net Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Construction and purchase of equipment</td>
<td>$ 9,826</td>
<td>$ 11,516</td>
</tr>
<tr>
<td>Health education</td>
<td>9,798</td>
<td>9,659</td>
</tr>
<tr>
<td>Research, charity, and other</td>
<td>260,852</td>
<td>230,835</td>
</tr>
<tr>
<td>Unappropriated endowment appreciation available for operations</td>
<td>47,651</td>
<td>42,328</td>
</tr>
<tr>
<td>Total temporarily restricted net assets</td>
<td>$ 328,127</td>
<td>$ 294,338</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Permanent Restricted Net Assets, income from which is expendable to support:</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health education</td>
<td>$ 150,312</td>
<td>$ 148,614</td>
</tr>
<tr>
<td>Research, charity, and other</td>
<td>61,182</td>
<td>56,556</td>
</tr>
<tr>
<td>Operations</td>
<td>37,123</td>
<td>36,950</td>
</tr>
<tr>
<td>Total permanently restricted net assets</td>
<td>$ 248,617</td>
<td>$ 242,120</td>
</tr>
</tbody>
</table>

During fiscal years 2013 and 2012, net assets were released from donor restrictions for purchasing property and equipment of $12,340 and $68,940, respectively, and incurring expenses of $34,340 and $31,581, 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 and changes in net assets.

18. **JOINT VENTURES AND OTHER AFFILIATIONS**

Investments in unconsolidated joint ventures, accounted for on the equity method, totaled $6,153 and $4,595 as of June 30, 2013 and 2012, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures, reported in other revenue, was $2,339 and $217 during the years ended June 30, 2013 and 2012, respectively.

19. **FUNCTIONAL EXPENSES**

Expenses related to the patient care, education, and research services provided by Rush for the years ended June 30, 2013 and 2012, were as follows:

<table>
<thead>
<tr>
<th></th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care</td>
<td>$ 1,408,491</td>
<td>$ 1,340,927</td>
</tr>
<tr>
<td>University services, including research</td>
<td>195,159</td>
<td>191,822</td>
</tr>
<tr>
<td>General and administrative</td>
<td>124,469</td>
<td>111,495</td>
</tr>
<tr>
<td>Illinois Medicaid hospital assessment</td>
<td>33,431</td>
<td>33,431</td>
</tr>
<tr>
<td>Total</td>
<td>$ 1,761,550</td>
<td>$ 1,677,675</td>
</tr>
</tbody>
</table>
20. **FICA TAX REFUND SETTLEMENT**

Rush has historically paid FICA tax on medical residents as if they were employees. In March 2010, the Internal Revenue Service (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 between 1994 and 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. As of June 30, 2010, Rush recorded a FICA tax receivable of $19,690, representing the recovered cost of FICA taxes previously paid and expensed, which is reported in other assets in the accompanying consolidated balance sheets as of June 30, 2012. During the year ended June 30, 2013, Rush received $62,901 from the IRS representing a refund of FICA taxes previously paid of $19,986, $10,571 in settlement interest and $32,344 for the resident portion to be distributed to the residents. Rush recognized the interest component of the FICA refund of $10,571 as a reduction in salaries, wages, and benefit expense. The resident portion was paid out to the residents during the year and is not included in the accompanying consolidated balance sheet as of June 30, 2013.

21. **SIGNIFICANT TRANSACTIONS**

During fiscal year 2013, Copley Memorial Hospital sold a professional office building to an unrelated third party for net proceeds of $25,396, resulting in a net gain of $22,189, and signed operating lease agreements to rent back approximately 90% of the rentable square footage with initial lease terms ranging from five to ten years. A gain on sale of $8,842 was recognized within nonoperating income in the accompanying consolidated statement of operations for the year ended June 30, 2013, with a deferred gain of $13,347 recorded within other liabilities in the accompanying consolidated balance sheet as of June 30, 2013. The remaining deferred gain will be recognized over the life of the initial lease terms.

22. **SUBSEQUENT EVENTS**

Rush recently became the sole corporate member of ROPH pursuant to a change in membership interest. Historically, corporate sponsorship of ROPH had been shared by Rush and by an affiliate of the Wheaton Franciscans, which is a Roman Catholic organization of vowed women. Due to this shared corporate sponsorship, ROPH had been operating as a Catholic hospital. This change in membership, under which ROPH will operate as a secular hospital, received the approval of the Illinois Health Facilities and Services Review Board and related corporate approvals, and was finalized on October 25, 2013, upon receiving approval from the Vatican, which is required under Canon law.

* * * * *
SUPPLEMENTAL SCHEDULES
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, in accordance with the 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, the consolidated financial statements of Rush University Medical Center Obligated Group (Rush), as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated October 28, 2013.

Internal Control over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered Rush’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of Rush’s internal control. Accordingly, we do not express an opinion on the effectiveness of Rush’s internal control.

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 a 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. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Rush's consolidated financial statements are free from 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.
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Rush’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Rush’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte & Touche LLP

Chicago, Illinois
October 28, 2013
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:

Report on Compliance for Each Major Federal Program

We have audited Rush University Medical Center Obligated Group’s (Rush) 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 Rush’s major federal program for the year ended June 30, 2013. Rush’s major federal program is identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

Management’s Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor’s Responsibility

Our responsibility is to express an opinion on compliance for Rush’s major federal program based on our audit of the types of compliance requirements referred to above. 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. 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 the major federal program occurred. An audit includes examining, on a test basis, evidence about Rush’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 on compliance for the major federal program. However, our audit does not provide a legal determination of Rush’s compliance.

Opinion on Each Major Federal Program

In our opinion, Rush complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of Rush is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rush’s internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the
circumstances for the purpose of expressing an opinion on compliance for its major federal program 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 Rush’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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Chicago, Illinois
December 19, 2013
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### YEAR ENDED JUNE 30, 2013

<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Federal Grantor/Pass-through Grantor’s Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Research and Development Cluster:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>U.S. Department of Health and Human Services:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>National Institute of Health</td>
<td>93.RD</td>
<td></td>
<td>$41,032,122</td>
</tr>
<tr>
<td>NIH-American Recovery Reinvestment Act (ARRA)</td>
<td>93.701</td>
<td></td>
<td>1,498,477</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Duke University:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accelerating Adoption of Comparative Effectiveness Research in Premature Infants</td>
<td>93.726  R18 AE0000028</td>
<td></td>
<td>116,267</td>
</tr>
<tr>
<td><strong>ARRA-Passed through the University of Iowa:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>GBV-C effects on CD4 activation and expansion</td>
<td>93.701  R01 AI058740</td>
<td></td>
<td>22,451</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Suny Research Foundation:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role of Soluble and Cellular Biomarkers in HIV Disease Progression in the WIHS</td>
<td>93.701  U01AI031834</td>
<td></td>
<td>331,526</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Social and Scientific Systems:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>NIAID Influenza Research Collaboration</td>
<td>93.CRB</td>
<td>CRB-DCB01-S-09-00292</td>
<td>23,907</td>
</tr>
<tr>
<td>A Pilot Study for Collection of Anti-Influenza A H1N1 Immune Plasma</td>
<td>93.856  CRB-DCB01-S-09-00292</td>
<td></td>
<td>52,329</td>
</tr>
<tr>
<td><strong>ARRA-Passed through the Medical College of Wisconsin:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Warain Pharmacogenetic Pediatric Patients</td>
<td>93.701  R01 HD061312</td>
<td></td>
<td>55</td>
</tr>
<tr>
<td>Platelet-Oriented inhibition in new Tia and Minor Ischemic Stroke Trial</td>
<td>93.701  U01 NR062835</td>
<td></td>
<td>1,387</td>
</tr>
<tr>
<td><strong>ARRA-Passed through the University of California, San Diego:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Alzheimer's Disease Neuroimaging Initiative Grand Opportunity</td>
<td>93.701  RC2 AG036535</td>
<td></td>
<td>(13,327)</td>
</tr>
<tr>
<td><strong>ARRA-Passed through the Washington University:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>RECOVERY: Tissue Source Site (TSS) Networks in support of the Cancer Genome Atlas (TCGA) Program</td>
<td>93.701  HHSN261201000061C</td>
<td></td>
<td>200,000</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Governors State University:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Building Complex Language: Effect of Treatment and Dosage</td>
<td>93.701  R15 DC011165</td>
<td></td>
<td>54,752</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Mathematic Policy:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feasibility and Reliability testing of Physician-level Clinical quality measures</td>
<td>93.HHSM   HHS-M-500-T-0003</td>
<td></td>
<td>10,000</td>
</tr>
<tr>
<td><strong>ARRA-Passed through Hektoen Institute:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stability of the Genital Microbiota in HIV and HIV Women (Chicago WIHS)</td>
<td>93.701  U01 AI034993</td>
<td></td>
<td>57,949</td>
</tr>
<tr>
<td>Chicago consortium for the Women's Interagency HIV study</td>
<td>93.701  U01 AI03183417</td>
<td></td>
<td>11,434</td>
</tr>
<tr>
<td><strong>Passed through the University of Rochester:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Prospective Huntington at Risk Observation Study</td>
<td>93.172  S R01 HG002449</td>
<td></td>
<td>1,365</td>
</tr>
<tr>
<td><strong>Passed through the Mayo Clinic Rochester:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Phase I/II study of Varmostat Temozolomide and Radiation Therapy in patients with newly diagnosed Glioblastoma</td>
<td>93.395  U10 CA025224</td>
<td></td>
<td>693</td>
</tr>
<tr>
<td>Phase I/II study of Dasatinib/Bevacizumab in recurrent Glioblastoma</td>
<td>93.395  U10 CA025224</td>
<td></td>
<td>1,366</td>
</tr>
<tr>
<td>A Phase I/II Trial of Sorafenib and CCI-779 in Patients with Recurrent Glioblastoma</td>
<td>93.395  U10 CA025224</td>
<td></td>
<td>(384)</td>
</tr>
<tr>
<td><strong>Passed through Hektoen Institute:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact of Life Stress on Bacterial Vaginosis</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>4,709</td>
</tr>
<tr>
<td>Novel Biomarkers of Cardiovascular Disease risk in HIV HCV CO Infected Subjects</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>25,859</td>
</tr>
<tr>
<td>Center for Disease Control and Prevention</td>
<td>93.283  U54 CK000161</td>
<td></td>
<td>185,993</td>
</tr>
<tr>
<td>Exploratory studies for Immune Activation and Inflammatory parameters and critical outcomes, WIHS pilot</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>36,505</td>
</tr>
<tr>
<td>Chicago WIHS Consortium</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>64,086</td>
</tr>
<tr>
<td>Trust in Healthcare and Racial Disparities in an aging population</td>
<td>93.866  R01 AG033172</td>
<td></td>
<td>16,129</td>
</tr>
<tr>
<td>The Chicago WIHS Consortium</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>57,257</td>
</tr>
<tr>
<td>Chicago's Women’s Interagency HIV Consortium</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>65,023</td>
</tr>
<tr>
<td>Chicago's Women’s Interagency HIV Consortium</td>
<td>93.855  U01 AI034993</td>
<td></td>
<td>159,807</td>
</tr>
</tbody>
</table>

(Continued)
<table>
<thead>
<tr>
<th>Federal Grantor/Pass-through Grantor/Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Federal Grantor/Pass-through Grantor’s Number</th>
<th>Federal Expenditures</th>
</tr>
</thead>
<tbody>
<tr>
<td>A Randomized Multicenter Clinical trial of Unruptured Brain Arteriovenous Malformations</td>
<td>93.853 U01 NR051483</td>
<td>$7,354</td>
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<td>HIV and the Menopausal transition: Effects on Musculoskeletal Health</td>
<td>93.855 R01 AI095089</td>
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<td>Epidemiology of Familial late-onset Alzheimer’s Disease</td>
<td>93.866 R01 AG041797</td>
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<tr>
<td>Promised Panretinal Photocoagulation versus Intravitreal Ranibizumab with deferred Panretinal Photocoagulation for Proliferative Diabetic Retinopathy</td>
<td>93.867 U10 EY14231</td>
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<td>Blood Markers of Vulnerability in high Vascular Patients BRAVO</td>
<td>93.837 R01 HL089619</td>
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<td>Multicenter AIDS Cohort Study</td>
<td>93.855 U01 AI035039</td>
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<td>A Family-Genetic Study of Autism and Fragile X Syndrome</td>
<td>93.242 R01 MH091131</td>
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<td>The Study of Soy Isoflavones in Asthma</td>
<td>93.838 U01 HL087987</td>
<td>3,784</td>
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<tr>
<td>Development of Tissue Explant Models for Microbiocidal Evaluation</td>
<td>93.855 R33 AI076968</td>
<td>46,185</td>
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<td>Synaptic Substrates of Age-Dependent memory deficits</td>
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<td>HIV/AIDS Clinical Trials</td>
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<td>Chicagoland Metropolitan Asthma Net Consortium</td>
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<td>Family Genetic study of Autism</td>
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<td>Vitamin D add-on therapy enhances Corticosteroid responsiveness in Asthma</td>
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<td>AIDS Clinical Trials Group network</td>
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<td>Home Sleep and circadian phase: Mediators of Racial disparities in Diabetes risk</td>
<td>93.847 R01 DK095207</td>
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<tr>
<td>Chicago Colon Cancer Patterns of Care Study</td>
<td>93.307 P60 MD003424</td>
<td>4,035</td>
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<td>Training in Cellular Signaling in the Cardiovascular system</td>
<td>93.837 5T32 HL007692</td>
<td>52,087</td>
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<td>Tools for Optimizing Medication Safety</td>
<td>93.226 U19 HB021093</td>
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<td>Chicago Colon Cancer Patterns of Care Study. Center for Excellence in Eliminating Disparities</td>
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<td>Leadership Education in Neurodevelopmental and Related Disorders Training Program</td>
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<td>BAILA: Being Active Increasing Latino’s Healthy Aging</td>
<td>93.361 R01 NR013151</td>
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<td>The Audible Human Project</td>
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<td>Training in Cellular Signaling in the Cardiovascular System</td>
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<td>Motor Deficit-Experimental and Clinical Correlates</td>
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<td>Intensive Nutrition on ARDS: A Clinical trial</td>
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<td>MR Monitoring of Engineered Tissues</td>
<td>93.286 E5081</td>
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<tr>
<td>Local Food Environments and disparities in Ovarian Cancer Survival</td>
<td>93.307 P60 MD003424</td>
<td>7,102</td>
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<td>Weekly core seminars and interdisciplinary group activities as well as the placement, monitoring, oversight and paperwork for the clinical portion of the IL lend student trainee</td>
<td>93.110 T73 MC11047</td>
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<td>Immunologic predictors of HPV Infection and the development of Cervical Neoplasia</td>
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<td>Improving Outcomes in Acute Rehabilitation for TBI</td>
<td>93.865 R01 HD050439</td>
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<td>International and Domestic Pediatric and Maternal HIV studies Coordination Center</td>
<td>93.110 T73 MC11047</td>
<td>4,880</td>
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<td>The Insulin Resistance Intervention After Stroke Trial</td>
<td>93.853 U01 NR044876</td>
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(Continued)
## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**YEAR ENDED JUNE 30, 2013**

<table>
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<tr>
<th>Federal Grantor/Pass-through Grantor/Program or Cluster Title</th>
<th>Federal CFDA Number</th>
<th>Federal Grantor/Pass-through Grantor’s Number</th>
<th>Federal Expenditures</th>
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<tr>
<td>Passed through Ohio State University:</td>
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<tr>
<td>Cooperative Tissue Bank of HIV Malignancies</td>
<td>93.395</td>
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<td>Individual Planning for the first year following Acute Rehabilitation</td>
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<td>Passed through University of Texas-Houston:</td>
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<td>Parkinson's Disease Neuroprotection Clinical Trial: Statistical Center</td>
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<td>U01 NS403127</td>
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<td>Passed through Cornell University:</td>
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<td>Perinatal Choline Therapy in a Mouse Model of Down Syndrome and Alzheimer's Disease</td>
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<td>Tissue bank for the Gynecologic Oncology reviewer of slides</td>
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<td>NIH: (NHLBI)</td>
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<td>Testing of Oxidazole-Oxide Chemotype as a Therapeutic Drug for the Control of Schistosomiasis</td>
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<td>Passed through Medical University of South Carolina:</td>
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<td>Skinting vs. Aggressive Medical Management for Preventing Recurrent events in Intracranial Sclerosis</td>
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<td>Passed through University of Miami:</td>
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<td>Leukadherins as novel compounds for treating restenosus</td>
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<td>Passed through University of California:</td>
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<td>Effects of traumatic brain injury and post traumatic stress disorder on Alzheimer's disease in Veterans using ADNI</td>
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<td>Changing Lives by Eradicating Antibiotic Resistance</td>
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<td>Solid Organ Transplantation in HIV</td>
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<td>Fragile X Research Center</td>
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<td>The Epilepsy Phenome/Genome Project</td>
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<td>R01 NS053998</td>
<td>(31,455)</td>
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<td>Multi-Center Trial to Evaluate Home-based assessment Methods for Alzheimer's Disease Prevention Research in People over 75 years old</td>
<td>93.866</td>
<td>U01 AG10483</td>
<td>33,504</td>
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<tr>
<td>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</td>
<td>93.866</td>
<td>U01 AG024904</td>
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<td>CAMKII and Ins-P3 Mediated signaling in Cardiac Myocytes</td>
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<td>Alzheimer's Disease Neuroimaging initiative</td>
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<td>ADCS Infrastructure support</td>
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<td>U01 AG10483</td>
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<td>A Randomized Double blind Controlled PHASE II Multicenter Trial of CTLA4G NEPHRITIS plus CYCLOPHOSPHAMIDE VS CYCLOPHOSPHAMIDE alone in treatment of LUPUS</td>
<td>93.866</td>
<td>U01 AG024904</td>
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<tr>
<td>Multi-Center Trial to Evaluate Home-Based assessment methods for Alzheimer's Disease prevention research in people over 75 years old</td>
<td>93.866</td>
<td>U01 AG10483</td>
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<td>Passed through Loyola University:</td>
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<td>Develop an Oral HIV Vaccine using Papilloma Virus-like Particles as a Vector</td>
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<td>Passed through Harvard School of Public Health:</td>
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<td>Semiparametric methods for secondary outcomes in cases-control studies</td>
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<td>R21 ES019712</td>
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<td>Passed through Duke University Medical Center:</td>
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<td>Bridge: Bridging Anticoagulation in patients who require temporary interruption of Warfarin therapy for an elective invasive procedure or surgery</td>
<td>93.839</td>
<td>U01 HL087229</td>
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<td>Catheter Ablation versus Antiarrhythmic drug therapy for Atrial Fibrillation trial</td>
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<td>Passed through University of Washington:</td>
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<td>National Alzheimer's Disease Coordination Center</td>
<td>93.866</td>
<td>U01 AG16976</td>
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<td>Mesothelin as Biomarker and Therapeutic target</td>
<td>93.394</td>
<td>R01 CA134487</td>
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<td>Multicenter Career development program for Physical and Occupational Therapy</td>
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<td>K12 HD055931</td>
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<td>The role of Cerebral Hemodynamics in Moya Moya Disease</td>
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<td>Tau Preclinical Latent Scores to Predict Occurrence of DAT</td>
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<td>R01 AG034119</td>
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<td>National Alzheimer's Coordinating Center</td>
<td>93.866</td>
<td>U01 AG16976</td>
<td>25,379</td>
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(Continued)
### Rush University Medical Center Obligated Group

**Schedule of Expenditures of Federal Awards**

**Year Ended June 30, 2013**

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<th>Federal Grantor/Pass-through</th>
<th>CFDA Number</th>
<th>Federal Grantor/Pass-through</th>
<th>CFDA Number</th>
<th>Federal Expenditures</th>
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<td>Passed through Eastern Cooperative Oncology Group:</td>
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<td>Passed through Emory University:</td>
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<td>Clinical Studies of Dystonia and Related Disorders</td>
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<td>Passed through Health Research and Educational Trust:</td>
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<td>Promoting Safety and Quality through Human Resources Practices</td>
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<td>HHSA290200600022</td>
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<td>Passed through University of Pennsylvania:</td>
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<td>Alzheimer's Disease Genetics Consortium</td>
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<td>Targeted Proteomics of resilient cognition in Aging</td>
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<td>Passed through Radiation Therapy Group:</td>
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<td>Randomized trial of two doses and two high doses schedules for delivering Prophylactic cranial irradiation for patients with limited disease small lung cancer</td>
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<td>Passed through Albert Einstein College of Medicine:</td>
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<td>Inflammatory and Immune Mechanisms of Atherosclerosis in HIV Infected Women</td>
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<td>HIV and Cervical Neoplasia in a large long term HIV cohort research on malignancies in the context of HIV/AIDS</td>
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<td>Passed through John Hopkins:</td>
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<td>Multi Uveitis steroid treatment trial</td>
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<td>Clot Lysis: Evaluating accelerated resolution of Intraventricular Hemorrhage</td>
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<td>Mitochondrial Dysfunction in Cardiac Hypertrophy and Failure</td>
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<td>Passed through Brigham and Women's Hospital:</td>
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<td>ACOSOG- A Phase III prospective, randomized trial comparing Laparoscopic assisted resection versus open resection for rectal cancer</td>
<td>93.395</td>
<td>U01 CA076401</td>
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<td>Role of the Innate Immune System in Aging and Development of Alzheimer's Disease</td>
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<td>Altered monocyte function in relation to the CD33 Alzheimer's disease locus</td>
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<td>Exploring the role of the brain transcriptome in cognitive decline</td>
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<td>Vitamin D and Omega-3 Trial (VITAL)</td>
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<td>Passed through Tougaloo College:</td>
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<td>Lipidomic and DNA Microarray analyses of Peripheral blood in African-American adults with type II diabetes</td>
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<td>Passed through Massachusetts General Hospital:</td>
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<td>Role of Dynamin for Podocytes Structure and function</td>
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<td>R01 DK093773</td>
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<td>Creatine Safety, Tolerability and efficacy in Huntington's Disease</td>
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<td>Passed through NSABP:</td>
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<td>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</td>
<td>93.B-43</td>
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<td>Breast Cancer Prevention Trial</td>
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<td>Passed through Case Western Reserve University:</td>
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<td>Basic and Comparative Studies of CCR5 Inhibition to Prevent HIV Transmission</td>
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<td>Defining the Pathogenesis of Immune Deficiency in Chronic HIV Infection</td>
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<td>Passed through University Health System:</td>
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<td>Domestic medical travel</td>
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<td>Passed through Salk Institute:</td>
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<td>Stress and CRF Signaling in Alzheimer's Disease Pathogenesis</td>
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<td>R01 AG032755</td>
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<td>Passed through MCHC Chicago Hospital Council:</td>
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<td>Metropolitan Chicago Healthcare Council-ASPR Hospital Preparedness Program</td>
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<td>CPDH Hospital Preparedness Program</td>
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### Federal Grantor/Pass-through Grantor/Program or Cluster Title

<table>
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<th>Federal CFDA Number</th>
<th>Federal Grantor/Pass-through Grantor's Number</th>
<th>Federal Expenditures</th>
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<td>Public Health Surveillance for the Prevention of complications of Bleeding Clotting Disorders</td>
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<td>Maternal Child Health Bureau</td>
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<td>Center for Disease Control</td>
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<td>Intrahin Mechanics of the Stable and Unstable Cervical Spine</td>
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<td>Exploratory study of different doses of endurance exercise in people with Parkinson's disease</td>
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<td>A phase III Multicenter Randomized Trial of Sentinel Lymphadenectomy and complete lymph node dissection versus Sentinel Lymphadenectomy alone in cutaneous Melanoma Patients with molecular or Histopathological evidence of Metastases in the Sentinel node</td>
<td>93.395</td>
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<td>Virtual environment for social information processing</td>
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<td>Effects of Vascular Health, Aged and HAART on Cognition in HIV: A Pilot Study</td>
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<td>Application of a Novel Probiotic to Modulate the Human Gut Microbiota and Improve Health in Obese Adults</td>
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<td>Aspirin in reducing events in the elderly</td>
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<td>Battlefield-acquired immunogenicity to metals affects Orthopedic implant outcome</td>
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<td>Early detection of ovarian cancer by molecular targeted ultrasound imaging together with serum markers of tumor associated nuclear change and angiogenesis</td>
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<td>Geographic Utilization of Artificial Intelligence in real-time for disease identification and notification (Guardian)</td>
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<td>Modulating WNT Signaling Pathway to Enhance Allograft Integration in Orthopedic Trauma Treatment</td>
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<td>Detection of Ovarian Cancer by Contrast-Enhanced Ultrasound Targeted Imaging</td>
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<td>Laser Application on Orthopedic Bone Repair</td>
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<td>A New Therapeutic Target For Microglial Activation in AD</td>
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<td>Early detection of Ovarian Cancer by Tumor Epithelium-Targeted Molecular Ultrasound</td>
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(Continued)
## Schedule of Expenditures of Federal Awards
### Year Ended June 30, 2013

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<th>Federal CFDA</th>
<th>Federal Grantor/Pass-through Grantor’s Number</th>
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<td>Tribocemically Induced Gelation and Film Formation at Metal Interfaces</td>
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<td>ARRA-Effective Communication with robotic assistance for the elderly: Integrating Speech Vision and Haptics</td>
<td>47.082</td>
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<td>Proof of Concept Studies of an Ultra-High Performance Cardiac Imaging System: C-SPECT-II</td>
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### Other Federal Assistance:

#### U.S. Department of Health and Human Services:
- Professional Nurse Traineeship
  - Federal CFDA: 93.358
  - Grantor's Number: A10HP25129
  - Expenditures: $280,000

#### Passed through State of Illinois Department of Human Services:
- Early Intervention Services
  - Federal CFDA: 84.181
  - Grantor's Number: FCSRE00924
  - Expenditures: $1,027,555
- Family Planning Program
  - Federal CFDA: 93.217
  - Grantor's Number: FCSRE01287
  - Expenditures: $71,553
- Family Planning Program
  - Federal CFDA: 93.667
  - Grantor's Number: FCSRE01287
  - Expenditures: $32,554
- Adolescent Health/Adolescent Health DFI
  - Federal CFDA: 93.994
  - Grantor's Number: FCSRE00931
  - Expenditures: $142,433

#### Passed through State of Illinois Department of Public Health:
- CDSMP/DSMP
  - Federal CFDA: 93.283
  - Grantor's Number: 33287010A
  - Expenditures: $23,981
- IDPH-Emergency Dept. Asthma Surveillance
  - Federal CFDA: 93.070
  - Grantor's Number: 33283008A
  - Expenditures: $36,305
  - Grantor's Number: 23283200
  - Expenditures: $24,758
- Regional Perinatal Network
  - Federal CFDA: 93.994
  - Grantor's Number: 33789007A
  - Expenditures: $292,392

**TOTAL OTHER FEDERAL ASSISTANCE:**

1,931,511

**TOTAL EXPENDITURES OF FEDERAL AWARDS:**

124,938,564

(Concluded)
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SCHEDULE OF EXPENDITURES OF STATE AWARDS

YEAR ENDED JUNE 30, 2013

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<td>Diffusion Anisotropy Predicts Early Alzheimer’s Path</td>
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<tr>
<td>Sickle Cell Program</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33780259A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15,500</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Illinois Department of Public Health</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>401,506</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

|Passed through the Illinois Department of Human Services:|
|Family Planning Program (Parents Too Soon)|
|FCSRE01287|
|27,558|
|Adolescent Health Promotion|
|FCSRE00931|
|164,658|
|Early Intervention Services|
|FCSRO00924|
|2,196,932|
|Total Illinois Department of Human Services|
|2,389,148|

|Passed through the Illinois National Guard|
|Training Program Development|
|W91SMC-09-C-0004|
|308,260|
|Total Illinois National Guard|
|308,260|

**TOTAL EXPENDITURES OF STATE AWARDS**

3,098,914
1. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Awards (the “Schedules”) includes the federal and state grant activity of Rush University Medical Center Obligated Group (Rush). The Schedules have been prepared on the accrual basis of accounting. The information in the Schedules 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. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedules are presented on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Circular A-122, *Cost Principles for Non-profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

3. SUBRECIPIENTS

For the year ended June 30, 2013, Rush provided $7,733,473 to subrecipients, as detailed in the table below. Such payments to subrecipients are included in federal expenditures presented in the accompanying Schedule of Expenditures of Federal Awards.

<table>
<thead>
<tr>
<th>Program Title</th>
<th>CFDA</th>
<th>Subrecipient</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Institute of Health</td>
<td>93.RD</td>
<td>Various</td>
<td>$5,560,582</td>
</tr>
<tr>
<td>National Institute of Health-ARRA</td>
<td>93.701</td>
<td>Various</td>
<td>835,570</td>
</tr>
<tr>
<td>Virology Quality Assessment</td>
<td>93.HHSN/NO1</td>
<td>New England</td>
<td>104,124</td>
</tr>
<tr>
<td>Virology Quality Assessment</td>
<td>93.HHSN</td>
<td>New England</td>
<td>86,335</td>
</tr>
<tr>
<td>Westat Contract</td>
<td>93.HHSN</td>
<td>Hektoen Institute</td>
<td>93,713</td>
</tr>
<tr>
<td>Classic Density Function of fluids:</td>
<td>12.431</td>
<td>University of Chicago</td>
<td>16,152</td>
</tr>
<tr>
<td>Guardian</td>
<td>12.42</td>
<td>Metropolitan Chicago Health Care Council</td>
<td>235,762</td>
</tr>
<tr>
<td>National Center for Education Research</td>
<td>84.305</td>
<td>University of Illinois</td>
<td>55,134</td>
</tr>
<tr>
<td>Early detection of ovarian cancer by molecular targeted ultrasound imaging together with serum markers of tumor associated nuclear change and angiogenesis</td>
<td>12.42</td>
<td>University of Illinois</td>
<td>13,682</td>
</tr>
<tr>
<td>District of Columbia developmental center for Aids research</td>
<td>93.855</td>
<td>Hektoen Institute</td>
<td>114,901</td>
</tr>
<tr>
<td>Clinical Trials Network</td>
<td>93.279</td>
<td>Hektoen Institute</td>
<td>231,663</td>
</tr>
<tr>
<td>Detection of Ovarian Cancer by Contrast-Enhanced Ultrasound Targeted Imaging</td>
<td>12.42</td>
<td>University of Illinois</td>
<td>21,269</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td>$7,733,473</td>
</tr>
</tbody>
</table>
4. NONCASH ASSISTANCE

Rush did not receive any noncash federal awards or in-kind contributions during fiscal year 2013. In addition, Rush did not have any federal insurance in effect during the year ended June 30, 2013 to specifically cover federal expenditures.
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part I — Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

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: unmodified

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:

<table>
<thead>
<tr>
<th>Name of Federal Program or Cluster</th>
<th>CFDA Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Various Student Financial Assistance Cluster</td>
<td>Various</td>
</tr>
</tbody>
</table>

Dollar threshold used to distinguish between type A and type B programs: $3,000,000

Auditee qualified as low-risk auditee? yes X no
RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

Part II — Financial Statement Findings

None noted.

Part III — Federal Award Findings and Questioned Costs

None noted.
Part II — Financial Statement Findings

None noted.

Part III — Federal Award Findings and Questioned Costs

None noted.