Rush University Medical Center Obligated Group

Consolidated Financial Statements as of and for the Years Ended June 30, 2015 and 2014, OMB Circular A-133 Supplementary Report for the Year Ended June 30, 2015, and Independent Auditors' Report

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

TABLE OF CONTENTS

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax +1 312 486 1486
www.deloitte.com

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, 2015 and 2014, 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 consolidated financial position of Rush as of June 30, 2015 and 2014, and the results of operations and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

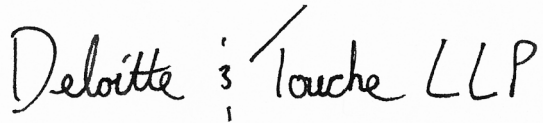
Other Matters

Other Information

Our audit was 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 Non-Profit Organization*, 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 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 the 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, the 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 23, 2015, 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 that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.



October 23, 2015

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

	As of June 30, 2015	As of June 30, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 145,812	$ 139,390
Accounts receivable for patient services—net of allowance for doubtful accounts of $51,535 and $46,871 as of June 30, 2015 and 2014, respectively	225,330	211,369
Other accounts receivable—net of reserves of $2,910 and $2,695 as of June 30, 2015 and 2014, respectively	52,814	50,120
Self-insurance trust—current portion	31,211	27,404
Other current assets	50,227	49,495
Total current assets	505,394	477,778
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments—less current portion	1,002,423	876,808
Limited as to use by donor or time restriction or other	507,036	514,630
Self-insurance trust—less current portion	106,761	98,808
Debt service reserve fund	-	48,654
Total assets limited as to use and investments	1,616,220	1,538,900
PROPERTY AND EQUIPMENT—Net of accumulated depreciation of $1,306,334 and $1,231,468 as of June 30, 2015 and 2014, respectively	1,359,133	1,355,611
OTHER ASSETS	46,384	56,101
TOTAL ASSETS	$ 3,527,131	$ 3,428,390
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 121,221	$ 133,829
Accrued expenses	198,752	177,960
Estimated third-party settlements payable	170,710	155,652
Current portion of accrued liability under self-insurance programs	44,015	45,396
Current portion of long-term debt	2,507	12,928
Total current liabilities	537,205	525,765
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance programs—less current portion	205,882	202,314
Postretirement and pension benefits	116,296	53,481
Long-term debt—less current portion—net	654,791	584,453
Obligations under capital lease and other financing arrangements	28,415	38,791
Other long-term liabilities	90,523	78,883
Total long-term liabilities	1,095,907	957,922
Total liabilities	1,633,112	1,483,687
NET ASSETS:		
Unrestricted	1,267,087	1,317,776
Temporarily restricted	364,206	369,656
Permanently restricted	262,726	257,271
Total net assets	1,894,019	1,944,703
TOTAL LIABILITIES AND NET ASSETS	$ 3,527,131	$ 3,428,390

See notes to consolidated financial statements.

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(Dollars in thousands)

	For the Years Ended June 30, 2015	2014
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 1,879,903	$ 1,787,341
Provision for uncollectible accounts	(68,631)	(67,665)
Net patient service revenue less provision for uncollectible accounts	1,811,272	1,719,676
University services:		
Tuition and educational grants	66,757	62,563
Research and other operations	98,518	99,594
Other revenue	110,528	87,805
Total revenue	2,087,075	1,969,638
EXPENSES:		
Salaries, wages, and employee benefits	1,027,403	988,381
Supplies, utilities, and other	624,353	582,908
Insurance	39,452	44,314
Purchased services	131,166	110,122
Depreciation and amortization	122,001	121,028
Interest	37,580	40,340
Pension settlement expense	12,464	-
Total expenses	1,994,419	1,887,093
OPERATING INCOME	92,656	82,545
NONOPERATING INCOME (EXPENSE):		
Investment income and other	8,225	50,756
Unrestricted contributions	6,246	3,960
Fundraising expenses	(7,159)	(6,744)
Change in fair value of interest rate swaps	(711)	429
Net gain on sale	1,501	1,501
Loss on extinguishment of debt	(117,694)	-
Total nonoperating (expense) income	(109,592)	49,902
EXCESS OF (LOSS) REVENUE OVER EXPENSES	$ (16,936)	$ 132,447

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(Dollars in thousands)

	For the Years Ended, June 30	
	2015	2014
UNRESTRICTED NET ASSETS		
Excess of (loss) revenue over expenses	$ (16,936)	$ 132,447
Net assets released from restrictions used for purchase of property and equipment	7,604	24,895
Postretirement related changes other than net periodic postretirement cost	(41,466)	1,303
Other	109	(401)
(DECREASE) INCREASE IN UNRESTRICTED NET ASSETS	(50,689)	158,244
RESTRICTED NET ASSETS		
TEMPORARILY RESTRICTED NET ASSETS:		
Pledges, contributions, and grants	28,114	49,856
Net assets released from restrictions	(43,037)	(59,903)
Net realized and unrealized gains on investments	9,473	51,576
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(5,450)	41,529
PERMANENTLY RESTRICTED NET ASSETS:		
Pledges and contributions	5,724	6,663
Investment (losses) gains on trustee-held investments	(269)	1,991
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	5,455	8,654
(DECREASE) INCREASE IN NET ASSETS	(50,684)	208,427
NET ASSETS—Beginning of year	1,944,703	1,736,276
NET ASSETS—End of year	$ 1,894,019	$ 1,944,703

See notes to consolidated financial statements. *(Concluded)*

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended June 30, 2015	2014
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (50,684)	$ 208,427
Adjustments to reconcile (decrease) increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	122,001	121,028
Postretirement-related changes other than net periodic postretirement cost	41,466	1,303
Provision for uncollectible accounts	68,631	67,665
Change in fair value of interest rate swaps	711	(429)
Net unrealized and realized gains on investments	(13,661)	(102,799)
Restricted contributions and investment income received	(17,051)	(33,238)
Investment losses (gains) on trustee-held investments	269	(1,991)
Loss on disposal of equipment and other	168	207
Net gain on sale	(1,501)	(1,501)
Loss on extinguishment of debt	117,694	-
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(82,603)	(88,889)
Accounts payable and accrued expenses	15,970	34,864
Estimated third-party settlements payable	15,058	6,460
Postretirement and pension benefits	21,349	(33,064)
Accrued liability under self-insurance program	2,187	10,757
Other changes in operating assets and liabilities	17,942	(3,856)
Net cash provided by operating activities	257,946	184,944
INVESTING ACTIVITIES:		
Additions to property and equipment	(128,351)	(101,178)
Purchase of investments	(1,123,219)	(1,368,644)
Sale of investments	1,000,417	1,210,360
Net cash used in investing activities	(251,153)	(259,462)
FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	16,764	35,251
Refunding of long-term debt	(558,355)	-
Proceeds from issuance of long-term debt	562,842	-
Payment of bond issuance costs	(4,486)	-
Payment of long-term debt	(12,924)	(12,065)
Payment of obligations under capital lease and other financing arrangements	(4,212)	(5,029)
Net cash (used by) provided by financing activities	(371)	18,157
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,422	(56,361)
CASH AND CASH EQUIVALENTS—Beginning of year	139,390	195,751
CASH AND CASH EQUIVALENTS—End of year	$ 145,812	$ 139,390
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest—including capitalized interest of $968 and $1,274 for the years ended June 30,2015 and 2014, respectively	$ 30,811	$ 41,386
Noncash additions to property and equipment	$ 2,449	$ (51)

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 serves 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 (RUH) and Rush University, located in Chicago, Illinois, and Rush Oak Park Hospital (ROPH), located in Oak Park, Illinois.

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 489 physicians as of June 30, 2015.

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 $130,949 and $129,103 in annual research expenditures during fiscal years 2015 and 2014, respectively.

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 42 physicians as of June 30, 2015.

Rush Health—A network of providers whose members include RUH, ROPH, and RCMC effective January 1, 2014. Rush Health has approximately 991 physicians and 297 allied health providers who are on the medical staff of the member hospitals. Collectively, the Obligated Group members own 75% of Rush Health. The financial results of Rush Health are not consolidated with the financial results of Rush 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 72 physicians as of June 30, 2015.

RUMC 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 February 1, 2015, 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 (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.

The supplemental consolidating balance sheet information and consolidating statement of operations and changes in net asset information as of and for the year ended June 30, 2015, are presented for the purpose of additional analysis of Rush's basic 2015 consolidated financial statements taken as a whole. RUMC amounts included in the supplemental consolidating schedules exclude RUMC's controlling interest in RCMC.

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, 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. In addition, management's assessment of business and economic conditions, trends in health care coverage, and other collection indicators are used in its analysis. Management regularly reviews data of these major payor sources of revenue in evaluating the sufficiency of the allowance for contractual adjustments and the allowance for doubtful accounts.

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.

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, 2015 and 2014, because of their short-term maturity. The fair value of the other instruments is disclosed in Notes 6, 9, and 12.

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. Real estate investments are carried at amortized cost. 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 $25,625 and $32,215 as of June 30, 2015 and 2014, 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. Asset charges of $1,490 are included in supplies, utilities, and other expense for the year ended June 30, 2014. There were no asset charges for the year ended June 30, 2015.

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 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 $968 and $1,274 was capitalized during the years ended June 30, 2015 and 2014, respectively.

Long-Lived Assets and Impairment

Rush carries tangible and intangible long-lived assets, including goodwill. Rush continually evaluates the recoverability of the carrying value of long-lived assets by reviewing long-lived assets for impairment. Impairment write-downs are recognized in operating income at the time the impairment is identified. No asset impartments were recorded during the year ended June 30, 2015. During the year ended June 30, 2014, Rush recorded impairments of assets of $1,490. Goodwill is assessed for impairment on an annual basis and there was no impairment of goodwill during fiscal year 2015.

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, except for Rush Health as previously discussed. As of June 30, 2015 and 2014, noncontrolling interests in consolidated subsidiaries amounted to $4,917 and $4,809, respectively. The amounts related to noncontrolling 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 and reported within other assets, 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 $5,687 and $9,756 as of June 30, 2015 and 2014, 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). 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 $6,551 and $7,369 for the years ended June 30, 2015 and 2014, 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, endowment investment income 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 fund-raising expenses.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (FASB) and International Accounting Standards Board (IASB) issued Accounting Standard Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. The ASU outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. The ASU's requirements related to variable consideration may affect how health care providers account for arrangements that contain significant price adjustments (e.g., contractual allowances, discounts, and concessions) and may require substantial estimation and judgment on behalf of management. The ASU's guidance on collectibility may affect the timing of revenue recognition when credit risk is not assessed until after services are performed (e.g., emergency room visits). In addition to considering the ASU's potential impact on Rush's accounting policies, In addition to considering the ASU's potential impact on Rush's accounting policies, Rush is also beginning to assess the impact of this standard which is required to be implemented in fiscal year 2019.

Reclassification of Prior Year Presentations

Certain prior year amounts have been reclassified for consistency with the current period presentation. These reclassifications had no effect on the reported results of operations.

Consideration of Events Subsequent to the Consolidated Balance Sheet Date

Rush has evaluated events occurring subsequent to the consolidated balance sheet date through October 23, 2015, the date the consolidated financial statements were available to be issued. There were no significant subsequent events as of the date of this report.

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, 2015 and 2014, by major payor source, was as follows:

	2015		2014	
Medicare	$ 426,955	23 %	$ 433,550	24 %
Medicare Managed Care	62,840	3	36,764	2
Medicaid	196,994	11	270,230	15
Medicaid Managed Care	102,163	5	23,832	1
Blue Cross	546,321	29	517,538	29
Managed care	401,796	21	364,076	21
Commercial, self-pay, and other	142,834	8	141,351	8
Total patient service revenue	$ 1,879,903	100 %	$ 1,787,341	100 %

Changes in estimates relating to prior periods increased net patient service revenue by $19,346 and $16,885 in fiscal years 2015 and 2014, 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 an additional discount is available to all patients with family income up to 400% of the federal poverty level. All uninsured patients receive a tiered discount regardless of their ability to pay. These discounts apply to patients with family income ranging from 301% to 1,000% of the federal poverty level, with discounts ranging from 33% to 68%. In addition, any uninsured patient with family income over 1,000% of the federal poverty level would still receive a 33% discount. RCMC provides free care to all patients who apply and support income and asset levels of less than 300% of the current-year poverty level and a 30% discount to all uninsured patients regardless of ability to pay, and discounts balances to patients under 600% of the 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. In fiscal year 2014, the State of Illinois approved a new enhanced assessment program providing additional funding to Rush. The net benefit to Rush from the Program was $48,948 and $44,643 during the years ended June 30, 2015 and 2014, respectively. For the years ended June 30, 2015 and 2014, the Medicaid payment of $95,412 and $102,882 was included in net patient service revenue, representing 5% and 6%, respectively, of the net patient service revenue, and the tax assessment of $46,463 and $58,239, respectively, was included in supplies, utilities, and other expenses. The Program is approved through June 30, 2018; however, the future of the Program is uncertain.

The following table presents the level of charity care provided for the years ended June 30, 2015 and 2014:

	2015	2014
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients—net of net benefit under the Program	$ 84,312	$ 54,885
Estimated costs and expenses incurred to provide charity care in the hospitals	32,514	54,372
Total	$ 116,826	$ 109,257

The total number of patients that were either provided charity care directly by Rush or that were covered by the Program represented 26% of Rush's total patients in each of the fiscal years 2015 and 2014.

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 non-current assets limited as to use and investments as of June 30, 2015 and 2014:

	2015	2014
Marketable securities and short-term investment funds	$ 33,546	$ 74,275
Fixed-income securities, including commingled funds	723,941	721,274
Equity securities, including commingled funds	420,665	427,218
World asset allocation mutual funds	290,775	209,092
Hedge fund of funds	60,234	26,503
Private equity partnerships	58,443	40,901
Real estate	2,737	2,921
	1,590,341	1,502,184
Beneficial interest in trusts	28,344	28,613
Total assets limited as to use and investments—excluding pledges receivable	1,618,685	1,530,797
Net pledges and grants receivable	28,746	35,507
Total assets limited as to use and investments	1,647,431	1,566,304
Less amount reported as current assets	(31,211)	(27,404)
Assets limited as to use and investments—noncurrent	$ 1,616,220	$ 1,538,900

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 $25,597 and $33,305 as of June 30, 2015 and 2014, respectively. Rush's private equity investments have diverse strategies, consisting of the following as of June 30, 2015 and 2014:

Private Equity Fund Allocations	2015	2014
Buyout and growth capital	21 %	17 %
Distressed debt and special situations	20	12
Diversified private equity fund of funds	28	42
Venture capital	20	26
Special situations	8	-
Direct investment	1	-
Co-investment private equity	2	3
	100 %	100 %

Investments in private equity funds recorded on the equity basis amounted to $883 and $851 as of June 30, 2015 and 2014, 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, 2015 and 2014, commitments for additional contributions to private equity partnerships totaled $45,828 and $49,561, 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 component statements of operations and changes in net assets. This allocated return, 5% for the years ended June 30, 2015 and 2014, approximates the real return that Rush expects to earn on its investments over the long term and totaled $5,131 and $6,105 for the years ended June 30, 2015 and 2014, respectively. The difference between the total investment return and the amount allocated to operations is reported in nonoperating income and totaled $2,798 and $2,253 for the years ended June 30, 2015 and 2014, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2015 and 2014, the total annual investment return was approximately 1.9% and 7.0%, 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, 2015 and 2014, are as follows:

	2015	2014
Interest and dividends	$ 28,504	$ 22,712
Net realized gains on sales of securities	32,101	37,544
Unrealized (losses) gains—unrestricted	(18,044)	29,325
Unrealized (losses) gains—restricted	(22,416)	21,878
	$ 20,145	$ 111,459
Reported as:		
Other operating revenue	$ 5,467	$ 7,095
Nonoperating income	5,505	50,865
Restricted net assets—net realized and unrealized gains on investments	9,173	53,499
	$ 20,145	$ 111,459

Gains and losses on alternative investments included above as of June 30, 2015 and 2014, are as follows:

	2015	2014
Nonoperating (expense) income	$ (184)	$ 56
Restricted net assets—net realized and unrealized gains on investments	9,979	6,172
	$ 9,795	$ 6,228

6. FAIR VALUE MEASUREMENTS

As of June 30, 2015 and 2014, 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 nonactive 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, 2015 and 2014:

Fair Value Measurements as of June 30, 2015	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Marketable securities and short-term investments	$ 6,761	$ 26,786	$ -	$ 33,547
Fixed-income securities:				
U.S. government and agency securities	-	186,629	-	186,629
Corporate bonds	-	155,853	-	155,853
Fixed-income mutual funds	292,658	-	-	292,658
Collateralized securities and other	-	65,351	-	65,351
U.S. equity securities	314,447	8,673	-	323,120
International equity securities	73,434	50,383	-	123,817
World asset allocation funds:				
Mutual funds	174,428	-	-	174,428
Commingled funds	-	48,121	7,178	55,299
Moderate allocation mutual funds [a]	25,738	-	-	25,738
Alternative investments:				
Hedge fund of funds	-	-	89,954	89,954
Private equity partnerships	-	-	33,067	33,067
Accrued interest and other	-	2,767	-	2,767
Beneficial interest in trusts	-	-	28,344	28,344
Total assets at fair value	$ 887,466	$ 544,563	$ 158,543	$ 1,590,572
Liabilities:				
Obligations under interest rate swap agreements	$ -	$ 18,092	$ -	$ 18,092
Total liabilities at fair value	$ -	$ 18,092	$ -	$ 18,092

[a] This class includes investments in mutual funds that allocate assets among equity and fixed-income investments, and includes $8,964 (35%) in fixed-income securities and $16,774 (65%) in equity securities at June 30, 2015.

Fair Value Measurements as of June 30, 2014	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Marketable securities and short-term investments	$ 32,289	$ 41,987	$ -	$ 74,276
Fixed-income securities:				
U.S. government and agency securities	-	192,578	-	192,578
Corporate bonds	-	145,081	-	145,081
Fixed-income mutual funds	287,867	-	-	287,867
Collateralized securities and other	-	85,818	-	85,818
U.S. equity securities	281,336	8,022	-	289,358
International equity securities	70,821	52,917	-	123,738
World asset allocation funds:				
Mutual funds	156,961	-	-	156,961
Commingled funds	-	18,805	7,333	26,138
Moderate allocation mutual funds [a]	21,674	-	-	21,674
Alternative investments:				
Hedge fund of funds	-	-	52,495	52,495
Private equity partnerships	-	-	13,166	13,166
Accrued interest and other	-	2,378	-	2,378
Beneficial interest in trusts	-	-	28,613	28,613
Total assets at fair value	$ 850,948	$ 547,586	$ 101,607	$ 1,500,141
Liabilities:				
Obligations under interest rate swap agreements	$ -	$ 17,380	$ -	$ 17,380
Total liabilities at fair value	$ -	$ 17,380	$ -	$ 17,380

[a] This class includes investments in mutual funds that allocate assets among equity and fixed-income investments, and includes $7,551 (35%) in fixed-income securities and $14,123 (65%) in equity securities at June 30, 2014.

During the year ended June 30, 2014, there were security transfers of $287,598 from Level 2 to Level 1. This transfer is the result of a reassessment of the liquidity of the underlying investment. There were no other security transfers between Levels 1, 2, and 3 during the year ended June 30, 2014. There were no security transfers between Levels 1, 2, and 3 during the years ended June 30, 2015.

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, 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 result 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.

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, 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:

	Hedge Fund of Funds and Private Equity Partnerships	Beneficial Interest in Trusts	Total Assets at Fair Value
Fair value—June 30, 2013	$ 37,993	$ 266,922	$ 64,615
Actual return on investments—			
Realized and unrealized gains	3,584	1,991	5,575
Purchases	64,418	-	64,418
Sales	(33,001)	-	(33,001)
Transfers in and/or out of Level 3			
Fair value—June 30, 2014	72,994	28,613	101,607
Actual return on investments—			
Realized and unrealized gains (losses)	3,933	(269)	3,664
Purchases	59,599	-	59,599
Sales	(6,327)	-	(6,327)
Fair value—June 30, 2015	$ 130,199	$ 28,344	$ 158,543

For the year ended June 30, 2015, realized and unrealized losses pertaining to Level 3 investments include $233 reported within excess of revenue over expenses, $4,166 reported within temporarily restricted net assets under investment gains, and $269 reported within permanently restricted net assets under investment losses. For the year ended June 30, 2014, realized and unrealized gains pertaining to Level 3 investments include $66 reported within excess of revenue over expenses and $3,518 and $1,991 reported within temporarily and permanently restricted net assets under investment losses, 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, 2015:

Entities that Report Fair Value Using NAV	Fair Value 2015 (In thousands)	Fair Value 2014 (In thousands)	Unfunded Commitments (In thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Short-term collective funds (marketable securities short-term investments)	$ 26,786	$ 41,987	None	Daily	None
Domestic equity commingled funds	8,673	8,022	None	Monthly	30 days
International equity commingled funds	50,383	52,917	None	Daily/Monthly	1-30 days
World asset allocation commingled funds	55,299	26,138	None	Monthly	1-14 days
Hedge fund of funds	89,954	52,495	None	Quarterly	65-95 days
Private equity partnerships	33,067	13,166	$ 29,097	Not currently redeemable	N/A

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 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:

a. The duration and preservation of the fund
b. The purposes of the organization and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. 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 18% and 17% of Rush's endowment is available for general purposes for the years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014, are as follows:

	Target Allocation and Range	Percentage of Endowment Assets	
		2015	2014
Global equity	40%(+/-5%)	42 %	43 %
Private equity	10%(+/-5%)	11	9
Real estate	5%(+/-5%)	5	4
Fixed income	25%(+/-5%)	20	23
Multi Asset Fund	20%(+/-5%)	22	21

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 of Trustees 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, 2015 and 2014, respectively, and income from the endowment fund provided $17,002 and $16,574 of support for Rush's programs during the fiscal years ended June 30, 2015 and 2014, 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, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanantly Restricted	Total
Donor-restricted endowment funds	$ -	$ 261,956	$ 262,192	$ 524,148
Board-designated endowment funds	5,220	785	534	6,539
Total funds	$ 5,220	$ 262,741	$ 262,726	$ 530,687

Changes in endowment net assets for the fiscal year ended June 30, 2015, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanantly Restricted	Total
Endowment net assets—July 1	$ 5,278	$ 266,458	$ 257,175	$ 528,911
Investment return:				
Investment (loss) income	(101)	6,644	183	6,726
Recovery of endowment impairment				
Net appreciation (realized and unrealized)	43	4,888	(269)	4,662
Total investment return	(58)	11,532	(86)	11,388
Contributions	-	676	5,820	6,496
Transfer of unrestricted endowment appreciation	-	(16,640)	(183)	(16,823)
Endowment net assets—June 30	$ 5,220	$ 262,026	$ 262,726	$ 529,972

Changes in endowment net assets for the fiscal year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanantly Restricted	Total
Donor-restricted endowment funds	$ -	$ 266,362	$ 256,641	$ 523,003
Board-designated endowment funds	5,278	96	534	5,908
Total funds	$ 5,278	$ 266,458	$ 257,175	$ 528,911

Changes in endowment net assets for the fiscal year ended June 30, 2014, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanantly Restricted	Total
Endowment net assets—July 1	$ 4,898	$ 229,057	$ 248,617	$ 482,572
Investment return:				
Investment (loss) income	(111)	4,295	924	5,108
Recovery of endowment impairment				
Net appreciation (realized and unrealized)	491	48,070	1,991	50,552
Total investment return	380	52,365	2,915	55,660
Contributions	-	96	6,567	6,663
Transfer of unrestricted endowment appreciation	-	(15,060)	(924)	(15,984)
Endowment net assets—June 30	$ 5,278	$ 266,458	$ 257,175	$ 528,911

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. No additional funding was required and no amounts were recovered and replenished through unrestricted net assets during the years ended June 30, 2015 and 2014.

8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2015 and 2014, consisted of the following:

	2015	2014
Land and buildings	$ 2,028,817	$ 1,967,652
Equipment	595,463	592,739
Construction in progress	41,187	26,688
	2,665,467	2,587,079
Less accumulated depreciation	(1,306,334)	(1,231,468)
Property and equipment, net	$ 1,359,133	$ 1,355,611

Property and equipment, net, includes $48,155 and $63,274 in leased buildings and equipment as of June 30, 2015 and 2014, respectively. Accumulated depreciation on leased property and equipment amounted to $24,940 and $32,728 as of June 30, 2015 and 2014, respectively.

9. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Rush's long-term debt is issued under a Master Trust Indenture, which established the Obligated Group composed of RUMC and RCMC. During fiscal year 2014, ROPH also became a member of the Obligated Group. 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, 2015 and 2014, such issuances are secured by a pledge of gross receipts, as defined, of the Obligated Group members. In fiscal year 2014 such issuances were also secured by a mortgage on certain primary health care facilities. This mortgage was released in fiscal year 2015.

A summary of Rush's long-term debt as of June 30, 2015 and 2014, is as follows:

	Interest Rates	Final Maturity Date	Amount Outstanding at June 30, 2015	Amount Outstanding at June 30, 2014
Illinois Finance Authority Revenue Bonds:				
Fixed-rate revenue bonds:				
Series 2015 A/B	5.0%	November 15, 2039	$ 484,380	$ -
Series 2009 C/D	6.2% to 6.625%	November 1, 2039	-	200,000
Series 2009 A/B	5.0% to 7.25%	November 1, 2038	-	208,625
Series 2006B	5.0% to 5.75%	November 1, 2035	-	92,800
Total fixed-rate debt			484,380	501,425
Variable-rate revenue bonds:				
Series 2008A	Average of 0.04% and 0.06% in FY2015 and FY2014, respectively	November 1, 2045	50,000	50,000
Series 2011, Tax-Exempt Private Placement with a commercial bank	Average of 1.27% and 1.29% in FY2015 and FY2014, respectively.	November 1, 2024	39,935	45,720
Total variable rate debt			89,935	95,720
Total tax-exempt debt			574,315	597,145
Mortgage loan, collateralized by fitness center	4.40%	May 1, 2021	5,678	-
Mortgage loan, collateralized by fitness center	5.50%	May 1, 2016	-	6,461
Total par value of debt			579,993	603,606
Less current portion of long-term debt			(2,507)	(12,928)
Less unamortized premium/(discount), net			77,305	(6,225)
Long-term debt			$ 654,791	$ 584,453
Estimated fair value based on quoted market prices and other relevant information (Level 2 classification)			$ 636,419	$ 661,257

In February 2015, Rush issued Series 2015A/B revenue bonds through the Illinois Finance Authority in the amount of $484,380. The proceeds of the Series 2015A/B bonds along with amounts on deposit in debt service reserve funds were used to advance refund the Series 2006B, Series 2009A/B, and Series 2009C/D Bonds, and to pay certain costs of issuing the Series 2015A/B Bonds. A loss on extinguishment of debt of $117,694 was recorded as a result of the advanced refunding, and is recorded within other nonoperating expenses in the accompanying consolidated statements of operations and changes in net assets.

The fair value of Rush's long-term debt is estimated by an independent third party using a pricing scale based on spreads to municipal market data 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 financial covenants as of June 30, 2015 and 2014.

Annual maturities of outstanding long-term debt are as follows:

Years Ending June 30	
2016	$ 1,650
2017	10,205
2018	11,430
2019	12,150
2020	13,245
Thereafter	526,635
Total	$ 575,315

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 enters 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 2017. 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, 2015 and 2014, there were no outstanding draws against the letter of credit.

Lines of Credit Arrangements

The Obligated Group also had a $100 million short-term line of credit with a bank as of June 30, 2015 and 2014, which matures on December 31, 2016. Any borrowings on this short-term line of credit are due and payable in 180 days. As of June 30, 2015 and 2014, 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 its 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 (0.127% and 0.155% as of June 30, 2015 and 2014, respectively) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2015 and 2014, the Swap Agreements had a notional amount of $89,350 and $92,700, respectively ($44,675 and $46,350 in notional amount, respectively, with each counterparty), of which $59,650 and $63,000, respectively, is attributable to Rush.

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, 2015 and 2014, the Obligated Group had no collateral posted under Swap Agreements

The fair value of the Swap Agreements was as follows as of June 30, 2015 and 2014:

		June 30	
	Reported As	**2015**	**2014**
Obligations under Swap Agreements	Other long-term liabilities	$ (18,092)	$ (17,380)
Collateral posted under Swap Agreements	Other current assets	-	-
Obligations under Swap Agreements, net		$ (18,092)	$ (17,380)

The fair value of the Swap Agreements reported in Rush's consolidated balance sheets as of June 30, 2015 and 2014, 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, 2015 and 2014, were as follows:

		Fiscal Years Ended June 30	
	Reported As	**2015**	**2014**
Change in fair value of interest rate swaps	Nonoperating (expense) income	$ (711)	$ 429
Net cash payments on interest rate swaps	Interest expense	(3,466)	(3,594)

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 $2,870 and $3,399 for the years ended June 30, 2015 and 2014, 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:

Years Ending June 30	
2016	$ 6,679
2017	7,921
2018	5,005
2019	5,143
2020	2,386
Thereafter	14,205
Total minimum payments	41,339
Less amount representing interest	(8,740)
Net present value of obligations under capital lease and other financing arrangements	32,599
Less current portions included in accounts payable	(4,184)
Long-term portion of obligations under capital lease and other financing arrangements	$ 28,415

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.

Effective January 1, 2015 (the "effective date"), a new defined benefit plan was established. This new plan (the "Pre-2015 Separations Plan" or the "Pre-2015 Plan", is a spinoff of the current Retirement Plan. The Retirement Plan's benefit obligation and assets attributable to participants who terminated employment prior to January 1, 2015 with a

vested benefit were transferred to the Pre-2015 Plan as of the effective date. On the effective date, $648,066 of benefit obligations and $625,334 of assets were transferred from the Retirement Plan into the Pre-2015 Plan.

Rush offered a voluntary lump sum cash out to certain eligible terminated vested participants of the Pre-2015 Plan in fiscal year 2015, resulting in a total settlement amount of $46,044. In addition, the settlement initiative triggered a one-time non-cash charge of $12,464 as a result of the total payments exceeding the plan's interest cost and service cost components in fiscal year 2015.

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, 2015 and 2014.

	Defined Benefit Pension Plan(s)		Postretirement Healthcare Plans	
Obligations and Funded Status	**2015**	**2014**	**2015**	**2014**
Actuarial present value of benefit obligations— accumulated benefit obligation	$ 938,995	$ 940,302	$ 7,119	$ 7,198
Change in projected benefit obligations:				
Projected benefit obligation—beginning of measurement period	$ 959,717	$ 883,311		
Service costs	19,676	15,066		
Interest costs	42,435	44,087		
Plan settlements	(46,044)	-		
Actuarial losses	22,992	83,000		
Benefits paid	(39,717)	(65,747)		
Projected benefit obligation—end of measurement period	$ 959,059	$ 959,717		
Change in plan assets:				
Fair value of plan assets—beginning of measurement period	$ 912,878	$ 805,326	$ -	$ -
Actual return on plan assets	21,407	121,525	-	-
Employer contributions	801	51,774	352	402
Plan participant contributions	-	-	630	562
Plan settlements	(46,044)	-	-	-
Benefits paid	(39,717)	(65,747)	(982)	(964)
Fair value of plan assets—end of measurement period	$ 849,325	$ 912,878	$ -	$ -
Accrued benefit liability	$ 109,734	$ 46,839	$ 7,119	$ 7,198

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:

Components of Net Periodic Pension Cost Year Ended June 30	Defined Benefit Pension Plans		Postretirement Heahthcare Plans	
	2015	2014	2015	2014
Net periodic pension cost comprised the following:				
Service cost	$ 19,676	$ 15,066	$ 170	$ 163
Interest cost on projected benefit obligation	42,435	44,087	318	397
Expected return on plan assets	(61,173)	(52,162)	-	-
Amortization of prior service cost and other actuarial amounts	(2,051)	(2,051)	(287)	(287)
Recognized actuarial loss (gain)	10,880	16,855	72	(541)
Recognized settlement loss	12,464	-	-	-
Net periodic pension cost (credit)	$ 22,231	$ 21,795	$ 273	$ (268)

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

Accrued Benefit Liability	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2015	2014	2015	2014
Accrued benefit liability—beginning of year	$ 46,839	$ 77,986	$ 7,198	$ 8,003
Fiscal year activity:				
Net periodic pension cost	9,766	21,795	273	(268)
Employer contributions	(801)	(51,774)	(352)	(402)
Postretirement-related changes other than net periodic postretirement cost:				
Actuarial losses (gains)	62,759	13,636	(215)	(963)
Reclassification adjustment for losses reflected in periodic expense	(8,829)	(14,804)	215	828
Accrued benefit liability—end of year	$ 109,734	$ 46,839	$ 7,119	$ 7,198
Recognized in the consolidated balance sheets as follows:				
Accrued expenses	$ -	$ -	$ 557	$ 557
Noncurrent liabilities	109,734	46,839	6,562	6,641
	$ 109,734	$ 46,839	$ 7,119	$ 7,198

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 component balance sheets. The postretirement-related charges other than net periodic benefit cost related to the pension and Postretirement Healthcare Plans are included as a separate (decrease) increase to unrestricted net assets and total $(41,466) and $1,303 for fiscal years 2015 and 2014, respectively. For fiscal year 2015, this amount includes actuarial losses arising during fiscal year 2015 of $62,544 and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2015 of $8,614. For fiscal year 2014, this amount includes actuarial losses arising during fiscal year 2014 of $12,673 and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2014 of $13,976.

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, 2015 and 2014, are as follows:

	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2015	2014	2015	2014
Unrecognized prior service credit	$ 6,386	$ 8,437	$ 144	$ 431
Unrecognized net actuarial (loss) gain	(239,986)	(200,570)	1,379	1,863
Total	$ (233,600)	$ (192,133)	$ 1,523	$ 2,294

An estimated $2,051 in prior service credit and ($8,431) in net actuarial loss will be included as components of periodic pension expense in fiscal year 2015. An estimated $144 in prior service credit and $915 in net actuarial gain will be included as components of periodic postretirement expense in fiscal year 2016.

Assumptions

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

Assumptions Used to Determine Benefit Obligations and Net Periodic Benefit Cost	Defined Benefit Pension Plans					
	Retirement Plan		Pre-2015 Separations Plan		Postretirement Healthcare Plans	
	2015	2014	2015	2014	2015	2014
For the period January 1 through June 30:						
Discount rate—benefit obligation	4.75 %	4.60 %	4.60 %	- %	4.75 %	4.60 %
Discount rate—pension expense	4.3	5.2	4.3	-	4.60	5.20
Rate of increase in compensation levels	5.35	5.38	-	-	-	-
Expected long-term rate of return on plan assets	7.00	7.00	7.00	-	-	-
Health care cost trend rate (initial)	-	-	-	-	7.40	7.40
Health care cost trend rate (ultimate)	-	-	-	-	4.50	4.50
Year the rate reaches ultimate trend rate	-	-	-	-	2029	2029
For the period July 1 through December 31:						
Discount rate—benefit obligation	4.30 %	4.60 %	4.25 %	- %	4.75 %	4.60 %
Discount rate—pension expense	4.60	5.20	4.60	-	4.60	5.20
Rate of increase in compensation levels	5.35	5.38	-	-	-	-
Expected long-term rate of return on plan assets	7.00	7.00	7.00	-	-	-

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 2015 and 2014, 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, 2015 and 2014, the actual rate of return on plan assets was 2.7% and 16.1%, 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, 2015 and 2014, is as follows:

Fair Value Measurements as of June 30, 2015	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Cash, cash equivalents, and short-term investments	$ 1,968	$ 8,518	$ -	$ 10,486
Fixed-income securities:				
US government securities and agencies	-	173,634	-	173,634
International government securities	-	37,896	-	37,896
Corporate bonds	-	344,282	-	344,282
Collateralized securities and other	-	29,065	-	29,065
US equity securities	106,977	-	-	106,977
International equity securities	-	83,367	-	83,367
World asset allocation funds	48,480	32,264	12,929	93,673
Alternative investments—private equity partnerships [a]	-	-	27,118	27,118
Accrued interest and other	(2,186)	16,661	8	14,483
Pending transactions	380	(72,037)	-	(71,657)
Total plan assets	$ 155,619	$ 653,650	$ 40,055	$ 849,324

[a] This class includes investments in funds with diverse strategies, including approximately 12% in buyout and growth capital, 44% in diversified fund of funds, 9% in distressed debt, 31% in venture capital, and 4% in co-investment private equity funds.

Fair Value Measurements as of June 30, 2014	Level 1	Level 2	Level 3	Total Fair Value
Cash, cash equivalents, and short-term investments	$ 3,126	$ 17,769	$ -	$ 20,895
Fixed-income securities:				
US government securities and agencies	-	204,748	-	204,748
International government securities	-	8,068	-	8,068
Corporate bonds	-	303,853	-	303,853
Collateralized securities and other	-	54,837	-	54,837
US equity securities	118,670	-	-	118,670
International equity securities	-	94,574	-	94,574
World asset allocation funds	60,861	36,864	14,505	112,230
Alternative investments—private equity partnerships [a]	-	-	27,178	27,178
Accrued interest and other	(4,931)	11,429	20	6,518
Pending transactions	14	(38,707)	-	(38,693)
Total plan assets	$ 177,740	$ 693,435	$ 41,703	$ 912,878

[a] This class includes investments in funds with diverse strategies, including approximately 20% in buyout and growth capital, 29% in diversified fund of funds, 29% in distressed debt and special situations, 18% in venture capital, 2% in co-investment private equity funds, and 2% in direct equity.

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:

Rollforward of Level 3 Investments	Accrued Interest and Other	Hedge Fund of Funds	Private Equity Partnerships	Total Assets at Fair Value
Fair value at June 30, 2013	$ (390)	$ 14,187	$ 24,868	$ 38,665
Actual return on plan assets:				
Realized and unrealized gains (losses)	1	(1,014)	5,067	4,054
Purchases	410	1,331	1,908	3,649
Sales	-	-	(4,665)	(4,665)
Settlements	-	-	-	-
Transfers out of Level 3	-	-	-	-
Fair value at June 30, 2014	21	14,504	27,178	41,703
Actual return on plan assets:				
Realized and unrealized gains	1	29	4,636	4,666
Purchases	-	-	1,996	1,996
Sales	(13)	(1,605)	(6,692)	(8,310)
Settlements	-	-	-	-
Transfers out of Level 3	-	-	-	-
Fair value at June 30, 2015	$ 9	$ 12,928	$ 27,118	$ 40,055

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:

	Defined Benefit Pension Plans	Postretirement Healthcare Plans
Expected contributions in 2016	$ 67,274	$ 546
Estimated benefit payments:		
2016	$ 50,493	$ 546
2017	52,123	573
2018	55,530	606
2019	60,552	614
2020	62,646	589
2021 through 2025	343,721	2,979
Total	$ 625,065	$ 5,907

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 $13,989 and $12,307 for the years ended June 30, 2015 and 2014, 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 $16,693 and $14,178 as of June 30, 2015 and 2014, 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.

Both RUMC and RCMC also sponsor supplemental retirement plans for certain management employees (the "Plans"). The RUMC plans include a Supplement plan, which was frozen as of December 31, 2014, and replaced with the Executive Retirement Plan. The 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 $12,596 and $10,408 as of June 30, 2015 and 2014, respectively, and are included in investments—less current portion in the accompanying consolidated balance sheets. These supplemental retirement plans are currently funded at 89% 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, net of contractual allowances, but before provision for uncollectible accounts, from patients and third-party payors as of June 30, 2015 and 2014, was as follows:

	2015	2014
Medicare	13 %	15 %
Medicare Managed Care	3	3
Medicaid	10	15
Medicaid Managed Care	4	2
Managed Care	58	53
Commercial	3	3
Self-pay	9	9
Total	100 %	100 %

Products sponsored by Blue Cross Blue Shield of Illinois, the largest health insurer in the market, accounted for 30% and 39% of managed care net patient accounts receivable as of June 30, 2015 and 2014, respectively; and 18% and 20% of net patient accounts receivable of the Obligated Group for the fiscal years ended June 30, 2015 and 2014, respectively.

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, 2015 and 2014, RUMC retained self-insured risk of $20 million on the first 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 to December 2009, RCMC was insured for professional liability claims through the Chicago Hospital Risk Pooling Program (CHRPP). CHRPP was a pooled insurance program in which claims were paid out of the pooled funds of several hospitals. RCMC's primary coverage limits under CHRPP were $1 million per occurrence and $3 million annual aggregate with excess coverage limits of $10 million per occurrence and $20 million annual aggregate, with a $50K or $100K per occurrence deductible. Although all RCMC claims under the CHRPP coverage have now been fully resolved and closed, under the terms of the CHRPP arrangement, RCMC can be charged retrospective premiums if actuarially determined funding proves inadequate in the future. Starting on January 1, 2010, RCMC implemented a self-insurance program for professional and general liability claims for claims not covered under the CHRPP. Self-insured risks are retained at $2 million per claim and $10 million annual aggregate with a $1 million per claim and $1 million aggregate buffer. RCMC also maintains excess liability insurance coverage with combined limits of $35 million per claim and in the aggregate. Amounts above specified self-insured limits are insured through purchased insurance policies. Insurance is purchased on a claims-made basis. RCMC has established an 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 $249,897 and $247,710 as of June 30, 2015 and 2014, 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 $55,302 and $46,565 higher than the amounts recorded in the consolidated balance sheets as of June 30, 2015 and 2014, respectively. The discount rates used in calculating the present value by organization was 4% for fiscal years ended June 30, 2015 and 2014. Insurance

recoveries are presented separately within noncurrent and current assets in the accompanying consolidated balance sheets, as appropriate. As of June 30, 2015 and 2014, no insurance recoveries were recorded.

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 component 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 $27,252 and $25,875 for the years ended June 30, 2015 and 2014, 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, 2015, are as follows:

Years Ending June 30	
2016	$ 21,195
2017	17,798
2018	14,592
2019	11,819
2020	9,616
Thereafter	23,371
Total	$ 98,391

15. CAMPUS TRANSFORMATION COMMITMENTS

In fiscal year 2004, Rush began a Campus Transformation project that included 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 over a 13-year period (fiscal year 2004 to fiscal year 2016). As of June 30, 2015, $1.1 billion has been spent on the campus redevelopment plan and construction commitments outstanding were $32.4 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, 2015 and 2014:

	2015	2014
Capital campaign	$ 27,017	$ 34,068
Restricted to future periods	162	162
Unconditional promises to contribute before unamortized discount and allowance for uncollectibles	27,179	34,230
Less unamortized discount	(1,098)	(1,358)
Less allowance for uncollectibles	(627)	(657)
Net unconditional promises to contribute	$ 25,454	$ 32,215
Amounts due in:		
Less than one year	$ 8,128	$ 11,883
One to five years	13,001	16,297
More than five years	6,050	6,050
Total unconditional promises to contribute	$ 27,179	$ 34,230

In addition, Rush has received conditional promises to contribute that are not recognized as assets in the consolidated balance sheets as of June 30, 2015 and 2014. The total is not considered material to the consolidated financial statements.

17. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets were available for the following purposes as of June 30, 2015 and 2014:

	2015	2014
Temporarily restricted net assets:		
Construction and purchase of equipment	$ 7,225	$ 7,522
Health education	11,515	10,655
Research, charity, and other	292,097	297,871
Unappropriated endowment appreciation available for operations	53,369	53,608
Total temporarily restricted net assets	$ 364,206	$ 369,656
Permanently restricted net assets, income from which is expendable to support:		
Health education	$ 157,738	$ 153,544
Research, charity, and other	67,659	66,292
Operations	37,329	37,435
Total permanently restricted net assets	$ 262,726	$ 257,271

During fiscal years 2015 and 2014, net assets were released from donor restrictions for purchasing property and equipment of $7,604 and $24,895, respectively, and incurring expenses of $35,432 and $35,008, 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 $6,378 and $5,655 as of June 30, 2015 and 2014, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures, reported in other revenue, was $1,694 and $1,355 during the years ended June 30, 2015 and 2014, respectively.

The Obligated Group has a majority interest in Rush Health and a majority representation on the Board of Trustees as of June 30, 2015. The addition of RCMC to the network resulted in a restructuring of the governance and membership structure of Rush Health. As of June 30, 2015, Rush has recorded equity in Rush Health based on membership interest of 56% or $4,181. Rush has elected not to consolidate its interest in Rush Health, as it expects control to be temporary and believes the effects of consolidation to be immaterial.

19. FUNCTIONAL EXPENSES

Expenses related to the patient care, education, and research services provided by Rush for the years ended June 30, 2015 and 2014, were as follows:

	2015	2014
Health care	$ 1,608,644	$ 1,500,408
University services, including research	202,408	195,195
General and administrative	136,283	133,251
Illinois Medicaid hospital assessment	46,462	58,239
Total	$ 1,993,797	$ 1,887,093

20. SALE OF INTELLECTUAL PROPERTY

During July 2014, Rush sold its rights to the royalties relating to worldwide sales of Ampyra® to a private equity fund, of which 50% will be paid to the inventors. Rush recognized a gain on the sale of $34,700 within other operating revenue, and $17,400 of expense in supplies, utilities and other expenses for the portion paid to the inventors.

* * * * * *

SUPPLEMENTAL CONSOLIDATING SCHEDULES

Deloitte.

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax +1 312 486 1486
www.deloitte.com

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 financial statements of Rush University Medical Center Obligated Group (including Rush University Medical Center and Rush-Copley Medical Center) (collectively, "Rush") as of and for the year ended June 30, 2015, and the related notes to the financial statements, and have issued our report thereon dated October 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies (2015-01).

Compliance and Other Matters

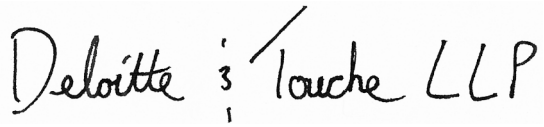
As part of obtaining reasonable assurance about whether Rush's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect 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.

Rush's Response to Findings

Rush's response to the findings identified in our audit are described in the schedule of findings and questioned costs. Rush's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 result 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.



October 23, 2015

Deloitte.

Deloitte & Touche LLP
111 S. Wacker Drive
Chicago, IL 60606-4301
USA

Tel: +1 312 486 1000
Fax +1 312 486 1486
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT 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 (including Rush University Medical Center and Rush-Copley Medical Center) (collectively, "Rush") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on Rush's major federal program for the year ended June 30, 2015. 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 a 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, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

Deloitte & Touche LLP

December 16, 2015

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
RESEARCH AND DEVELOPMENT:			
U.S. Department of Health and Human Services:			
National Institute of Health	93.RD		$ 42,128,591
ARRA-Passed through Social and Scientific Systems:			
NIAID Influenza Research Collaboration	93.CRB	CRB-DCR01-S-09-00292	90
ARRA-Passed through the Medical College of Wisconsin:			
Platelet-Oriented inhibition in new Tia and Monor Ischemic Stroke Trial	93.701	U01 NS062835	389
Warain Pharmacogenticsin Pediatric Patients	93.701	R01 HD061312	995
ARRA-Passed through the Washington University:			
RECOVERY: Tissue Source Site (TSS) Networks in support of the Cancer Genome Atlas (TCGA) Program	93.701	HHSN261201000061C	(154,434)
Passed through Hektoen Institute:			
Center for Disease Control and Prevention	93.283	U54 CK000161	57,673
Chicago Consortium for the Women's Interagency HIV Study	93.855	U01 AI034993	74,652
Chicago Prevention and Intervention Epicenter Supplement (Chicago PIE)	93.283	U54 CK0000161	131,169
Passed through Columbia University:			
HIV and the Menopausal transition: Effects on Musculoskeletal Health	93.855	R01 AI095089	67,687
Epidemiology of Familial late-onset Alzheimer's Disease	93.866	R01 AG041797	31,159
Passed through Jaeb Center for Health Research:			
Prompt Panretinal Photocoagulation versus Intravitreal Ranibizumab with deferred Panretinal Photocoagulation for Proliferative Diabetic Retinopathy	93.867	U10 EY14231	(130)
Peripheral DR Lesions on Ultrawide-field Fundus Images and Risk of Diabetic Retinopathy Worsening Over time (Protocol AA)	93.867	U10 EY014231	1,605
Passed through Northwestern University:			
A Family-Genetic Study of Autism and Fragile X Syndrome	93.242	R01 MH091131	143,358
Chicagoland Metropolitan Asthma Net Consortium	93.837	U10 HL098096	24,173
Vitamin D add-on therapy enhances Corticosteroid responsiveness in Asthma	93.837	U10 HL098096	129,324
Adapting Patient Navigation to promote Cancer Screening in Chicago's Chinatowı	93.393	R01CA163830	34,194
Chicago Clinical Trials Unit	93.855	UM1AI069471	583,869
Stroke Trials Network: Regional Coordinating Stroke Centers	93.853	U10NS086608	25,594
Knee OA: Predicators and Outcomes of Physical Inactivity-Activity Transitions	93.846	R01AR054155	30,843
NIAMS Multidisciplinary Clinical Research Center	93.846	P60AR064464	23,872
A Phase 3, Double-Blind, Placebo-Controlled, Parallel Group Study of Isradapine as a Disease Modifying Agent in Patients with Early Parkinson's Disease /STEADY-PD3	93.853	U01 NS080818	1,872
Passed through Social and Scientific Systems, Inc.:			
ACTG Protocol A5303	93.855	BRS-ACURE-S-11-001960	99,538
Passed through University of Chicago:			
Home Sleep and circadian phase: Mediators of Racial disparities in Diabetes risk	93.847	R01 DK095207	48,851
Integrated Inpatient/Outpatient Care for Patients at High Risk of Hospitalization	93.61	C12012001832	28,059
Passed through University of Illinois:			
BAILA: Being Active Increasing Latino's Healthy Aging	93.361	R01 NR013151	15,528
Community-Based End-of-Life Intervention for African American Caregivers	93.866	R01 AG043485	7,972
Being Active, increasing Latinos Health Aging BAILA	93.361	R01 NR013151	7,380
Leadership Education in Neurodevelopmental and Related Disorders Training Pro	93.11	T73MC11047	5,022
Effects of Thiazolidinediones and HSP90 inhibitors on T Cell Activation	12.42	W81XWH-09-1-0427	3,963
Passed through Westat Inc.:			
NICHD International and Domestic Pediatric and Maternal HIV studies Coordinating Center	93.HHSN	HHSN275201300003C	501,572
Passed through Yale University:			
The Insulin Resistance Intervention After Stroke Trial	93.853	U01 NS044876	299
Risk Stratification in Older Patients with Acute Myocardial Infraction: SILVER AMI	83.837	R01 HL115295	35,949
Passed through University of Texas-Houston:			
A Randomized Recruitment Intervention (RECRUIT)	93.307	U24 MD006941	3,680
A Randomized Recruiment Intervention/RECRUIT	93.307	U24 MD006941	1,178
NIAID (DHHS) Contract:			
Virology Quality Assurance Program	93.HHSN	HHSN272201200023C	1,691,200
Virology Quality Assurance Program	93.HHSN	HHSN272201200023C	216,385
Virology Quality Assurance Program	93.HHSN	HHSN272201200023C	84,141
Virology Quality Assurance Program	93.HHSN	HHSN272201200023C	831,804

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Medical University of South Carolina:			
Stenting vs. Aggressive Medical Management for Preventing Recurrent events in Intracranial Stenosis	93.853	U01 NS058728	$ 28,213
Passed through University of Miami:			
Leukadherins as novel compounds for treating restenosis	93.837	R01 HL109582	80,410
Role of Obesity and breast fat tissue inflammation in breast cancer promotion	93.396	R21 CA176055	8,883
Passed through University of California:			
Effects of traumatic brain injury and post traumatic stress disorder on Alzheimer's disease in Veterans using ADNI	12.42	W91XWH-12-2-0212	(8,235)
Changing Lives by Eradicating Antibiotic Resistance	93.226	HS019388	30,204
The Epilepsy Phenome/Genome Project	93.853	R01 NS053998	14,442
Develop improved methods which will lead to uniform standards for acquiring longitudinal multisite MRI and Pet data on patients with AD, MCI, and normal control	93.866	U01 AG024904	(390)
CAMKII and Ins-P3 Mediated signaling in Cardiac Myoctyes	93.837	P01 HL080101	390,946
Alzheimer's Disease Neuroimaging initiative	93.866	AG24904	(9,829)
A Randomized Double blind Controlled PHASE II Multicenter Trial of CTLA4G NEPHRITIS plus CYCLOPHOSPHAMIDE VS CYCLOPHOSPHAMIDE alone in treatment of LUPUS	93.N01	NO1-AI-15416	25,528
Multi-Center Trial to Evaluate Home-Based assessment methods for Alzheimer's Disease prevention research in people over 75 years old	93.866	U01 AG10483	3,261
Decreasing Bioburden to reduce Healthcare-Associated Infections and Readmissions	93.213	ATT007769	(28,061)
Expressive languages sampling as an outcome measure	93.865	R01 HD074346	135,490
Therapeutic Effects of Intranasally-Administered Insulin (INI) in Adults with Amnestic Mild Cognitive Impairment (aMCI) or Mild Alzheimer's Disease	93.866	RF1 AG041845	7,275
Anti-Amyloid treatment in Asymptomatic Alzheimer's Disease	93.866	U19 AG010483	16,395
Decreasing BioBurden to Reduce Healthcare-Associated Infections and Re-admissions	93.31	UH3 AI113337	171,393
A Cognitive Test Battery for Intellectual Disabilties	93.865	R01 HD076189	17,998
Passed through Duke University Medical Center:			
Bridge: Bridging Anticoagulation in patients who require temporary interruption of Warfarin therapy for an elective invasive procedure or surgery	93.839	U01 HL087229	9,834
Chemical Biology Approaches to Combat Parkinson's Disease and Dyskinesia	93.853	R21 NS084261	108,317
Passed through University of Washington:			
Two Preclinical Latent Scores to Predict Occurrence of DAT	93.866	R01 AG034119	37,422
National Alzheimer's Coordinating Center	93.866	U01 AG016976	(379)
National Alzheimer's Coordinating Center	93.866	U01AG016976	25,342
Passed through Eastern Cooperative Oncology Group:			
ECOG	93.4	ECOG-00101102	1,254
Passed through Emory University:			
Clinical Studies of Dystonia and Related Disorders	93.853	U54 NS065701	26,501
Passed through University of Pennsylvania:			
Alzheimer's Disease Genetics Consortium	93.866	U01 AG032984	19,168
Targeted Proteomics of resilient cognition in Aging	93.866	R01 AG039478	63,651
Passed through Albert Einstein College of Medicine:			
HPV and Cervix Neoplasia in a large long-term HIV cohort research on malignancies in the context of HIV/AIDS	93.393	R01 CA085178	96,933
Role of Innate Immunity in HIV-related vascular disease; biomarkers and mechanisms	93.837	R01 HL126543	17,725
Passed through John Hopkins:			
Multi Uveitis Steroid treatment trial	93.867	U10 EY014660	7,717
Clot Lysis: Evaluating accelerated resolution of Intraventricular Hemorrhage	93.853	U01 NS062851	(3,073)
Mitochondrial Dysfunction in Cardiac Hypertrophy and Failure	93.837	R01 HL101235	84,844
A Phase III, Randomized, Open-Label, 500-Subject Clinical Trial of Minimally Invasive Surgery Plus rt-PA in the Treatment of Intracerebral Hemorrhage	93.853	U01 NS080824	8,741
Passed through Brigham and Women's Hospital:			
Role of the Innate Immune System in Aging and Development of Alzheimer's Disease	93.31	R01AG043975	221,769
Altered monocyte function in relation to the CD33 Alzheimers disease locus	93.866	R01 AG043617	106,198
Exploring the role of the brain transciptome in cognitive decline	93.866	R01 AG036836	144,066
LaboratoryCenter, AIDS Clinical Trial Group (ACTG)	93.855	1UM AI106701	395,796
Influence of Genotype on Monocyte and Microglia Phenotype and function in PD	93.853	R56 NS089674	38,315

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Massachusetts General Hospital:			
Role of Dynamin for Podocytes Structure and function	93.847	R01DK093773	$ 99,931
Creatine Safety, Tolerability, and efficacy in Huntington's Disease	93.213	U01 AT000613	91
Rapidly-Acting Treatments for Treatment-Resistant Depression (RAPID)	93.HHSN	HHSN271201100006I	267
Passed through NSABT:			
Breast Cancer Prevention Trial	93.399	U10 CA37377	1,355
Passed through MCHC Chicago Hospital Council:			
MCHC - Chicago Hospital Council Subaward Agreement	93.889	25088	52,500
Passed through Great Lakes Hemophilia:			
Public Health Surveillance for the Prevention of complications of Bleeding and Clotting Disorders	93.184	U27 DD000862	24,690
Regional Program	93.184	H30 MC24052	45,671
Passed through University of Colorado:			
Intubation Mechanics of the Stable and Unstable Cervical Spine	93.286	R01 EB012048	975
Exploratory study of different doses of endurance exercise in people with Parkinson's disease	93.853	R01 NS074343	76,388
Passed through Great Lakes Neurotechnologies:			
Etsense: Adaptive portable essential tumor monitor phase II	93.879	R44 AG034708	4,835
ParkinStim: Transcranial Direct Current Stimulation for Parkinson's Disease	93.853	R43 NS077652	83,450
Passed through Upstairs Solution:			
Using technology to deliver evidence-based interventions to Alzheimer caregivers	93.866	R42 AG032159	3,495
Passed through John Wayne Cancer Institute:			
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	93.395	P01 CA029605	(1,466)
Passed through University of Florida:			
Pharmacotherapy for Alcohol consumption in HIV infected women	93.273	U01 AA020797	8,353
Southern HIV Alcohol Research Consortium (SHARC) Admin and Research Support Core	93.273	U24 AA022002	17,460
Passed through University of Kentucky:			
Role of Impaired cognitive States and risk factors in conversion to mixed Dementias	93.866	R01 AG038651	84,976
Passed through University of Pittsburgh:			
Translational Evaluation of Aging, Inflammation & HIV in Lung Dysfunction	93.838	R01 HL120398	26,419
Cardiovascular and HIV/AIDS effect on Brain Structure/Function and Cognition	93.866	R01 AG034852	9,000
Passed through University of Michigan:			
Early and Mid-life social determinants of Racial disparities in late life health	93.866	AG032247	86,818
Passed through Vanderbilt University:			
Predictors of Opioid Analgesic responses and common endogenous Opioid mechanisms	93.279	R01 DA031726	254,313
Passed through Pacific Northwest National Lab			
Development of Lewy Bodies Biofluid Signatures by Targeted Proteomics	93.853	U18NS082140	71,542
Phase II Double-blinded Placebo Controlled Study of Bevacizumab with or without AMG 386 in Patients with Recurrent Glioblastoma or Gliosarcoma	93.395	U10 CA021661	86
Passed through University of Nebraska:			
Application of a Novel Synbiotic to Modulate the Human Gut Microbiota and Improve Health in Obese Adults	10.31	2012-67107-19344	174,264
Passed through Nutrabiotix:			
Use of Novel Prebiotic Fiber of Targeted Dietary Management of Irritable Bowel Syndrome	93.847	2R44DK088525	355,237
Passed through Dystonia Coalition:			
A New Rating Scale for Focal Task-Specific Dystonia of the Musician's Hand	93.853	NS067501	4,458
Passed through Northern Illinois University:			
Gender and Ethnic Disparities in Lung Cancer: Genetic and Epigenetic Factors	93.393	R15 CA152896	6,517
Passed through Research Triangle Institute:			
Decisional Capacity and informed consent in Fragile X Syndrome	93.865	R01 HD071987	11,949
Passed through Washington University:			
Genetics-Informatics Trial of Warfarin to Prevent DVT	93.839	R01 HL097036	490
The Role of Cerebral Hemodynamics in Moya Moya Disease	93.853	5 R01 NS051631	613
Passed through University of North Carolina at Chapel Hill:			
Using NK Cells to Eliminate the Latent HIV Reservoir	93.855	U19 AI096113	161,051

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Harvard Pilgrim Health Care:			
Defining and Preventing Ventilator-Associated Complications in Pediatrics	93.226	1R18HS021636	$ 4,607
Passed through Icahn School of Medicine at Mount Sinai:			
Assay Development to Discover Therapeutics Against Human Cytomegalovirus	93.855	R01 AI101820	24,439
Passed through University of Indiana:			
National Cell Repository for Alzheimer's Disease (NCRAD)	93.866	U24 AG021886	21,279
Passed through Virginia Commonwealth University:			
Chronic Effects of Neurotrauma Consortium	12.42	W81XWH-13-2-0095	6,250
Passed through Gynecologic Oncology Group:			
Gynecologic Oncology Group	93.395	27469-09	(12,495)
Passed through The Broad Institute:			
Pathway Discovery, Validation, and Compound Identification for Alzheimer's Disease	93.866	U01 AG046152	347,216
Passed through University of Missouri:			
IFITM-Mediated inhibition of HIV Infection and Viral Countermeasures	93.855	R01AI112381	35,239
Passed through Columbia University:			
Clinical-Pathological Study of Cognitive Impairment in Essential Tremor	93.853	R01 NS086736	5,948
A Randomzied Multicenter Clinical Trial of Unruptured Brain Arteriovenous Malformations (ARUBA)	93.853	U01 NS051483	101
Passed through CEL-SCI Corporation:			
Preclinical studies of PG70 LEAPS peptide vaccines for Rheumatoid Arthritis	93.846	R43 AR063504	91,979
Passed through Harvard Medical School:			
Targeting a Novel Regulator of Brain Aging and Alzheimer's Disease	93.866	R01 AG046174	29,354
Passed through Blood Research Institute of Wisconsin:			
Comparative Effectiveness in the Diagnosis of VWD	93.839	R01 HL112614	10,317
Passed through Michigan State Universtiy:			
Neuronal Tangle Propogation in Preclinical AD	93.866	R21 AG044712	25,272
Passed through Boston University:			
The Brain Transcriptome & Lifetime Obesity Measures: The Framingham Study	93.847	R01 DK099269	104,576
Passed through Rosalind Franklin University:			
Synaptic Mechanisms Maintaining Persistent Cocaine Craving	93.279	R01 DA15835	45,509
Passed through Grand Marketing Solutions:			
Using Technology to Deliver Evidence-Based Interventions to Alzheimer's Caregivers	93.866	R42 AG032159	80,927
Passed through University of Missouri:			
Restriction of Viral Membrane Fusion and Entry by IFITM Proteins	93.855	R56 AI107095	37,211
Passed through St. Joseph's Hospital and Medical Center:			
Neurobiology and Cognitive Impairment of the Elderly	93.866	P01 AG014449	55,598
Passed through Queens College/CUNY:			
Assessing Aberrant Motor Learning in Parkinson's Patients	93.853	R21 NS083578	706
Passed through Rehabilitation Institute of Chicago:			
Altering Activation Patterns in the Distal Upper Extremity after Stroke	93.865	R02 HD075813	13,270
Passed through Fred Hutchinson Cancer Research Center:			
HVTN Mucosal Immunity	93.855	UM1 AI068618	29,421
Passed through University of Minnesota:			
Antihypertensive Treatment of Acute Cerebral Hemorrahage	93.853	NS 062091	(1,492)
Passed through Minneapolis Medical Research Foundation:			
Aspirin in reducing events in the elderly	93.866	U01 AG029824	124,274
Total U.S. Department of Health and Human Services			51,958,364
U.S. Army Medical Research Acquisition Activity:			
Battlefield-acquired immunogenicity to metals affects Orthopedic implant outcome	12.42	W81XWH-10-2-0138	18,942
Yin and Yang of Heparanase in Breast Cancer initiation	12.42	W81XWH-11-1-0302	(2,807)
Geographic Utilization of Artificial Intelligence in real-time for disease identification and notification (Guardian)	12.42	W81XWH-11-1-0711	556,551
Guardian	12.42	W81XWH-09-1-0662	362,743
A New Therapeutic Target For Microglial Activation in AD	12.42	W81XWH-12-1-0065	40,176
Early detection of Ovarian Cancer by Tumor Epithelium-Targeted Molecular Ultrasound	12.42	W81XWH-12-1-0460	149,950
Tumor-Associated Microvessel Targeted Ultrasound Molecular Imaging Probes Detect Ovarian Cancer Early Stage	12.42	W81XWH-14-1-0315	50,653
Total U.S. Army Medical Research Acquisition Activity			1,176,208

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Department of Education:			
National Center for Education Research	84.305	R305 A110143	$ 561,459
Total Department of Education			561,459
Department of National Science Foundation:			
Tribochemically Induced Gelation and Film Formation at Metal Interfaces	47.041	1160951	34,101
Collaborative Research: Electrokinetic Transport and Separation in MEMS-fabricated Nanofluidic Channels	47.041	1402897	59,231
Collaborative Research: Voltage-gated Proton Channels in Dinoflagellates	47.074	MCB-1242985	113
Total Department of National Science Foundation			93,445
Department of Energy:			
Proof of Concept Studies of an Ultra-High Performance Cardiac Imaging System: C-SPECT-II	81.049	DE-SC0002138	(877)
Total Department of Energy			(877)
TOTAL RESEARCH AND DEVELOPMENT			53,788,599
STUDENT FINANCIAL ASSISTANCE:			
U.S. Department of Education:			
Stafford Loan	84.268	P268K5336	37,541,661
Grad Plus	84.268	P268K5336	10,200,857
Parent Loans for Undergraduate Students	84.268	P268K5336	80,475
Perkins Loan	84.038	P038A031271	1,084,874
Perkins Loan-outstanding loan balance at measurement date	84.038		9,318,951
Pell Grant Program	84.063	P063P125336	229,457
Supplemental Educational Opportunity Grant	84.007	P007A121271	108,874
Federal Work Study	84.033	P033A121271	381,210
Total U.S. Department of Education			58,946,359
U.S. Department of Health and Human Services:			
Loans for Disadvantaged Students-outstanding loan balance at measurement date	93.342		2,418,176
Nursing Student Loan-Undergraduate-outstanding loan balance at measurement date	93.364		171,191
Nursing Student Loan-Graduate-outstanding loan balance at measurement date	93.364		453,879
Primary Care Loan/HPSL-outstanding loan balance at measurement date	93.342		2,130,792
Nurse Faculty Loan Program-outstanding loan balance at measurement date-ARRA	93.408		301,879
Nurse Faculty Loan Program-outstanding loan balance at measurement date	93.264		766,462
Primary Care Loan/HPSL	93.342	E26 HP24311	275,895
Nursing Student Loan	93.364	E4 DHP19180	97,760
Loans for Disadvantaged Students	93.342		259,164
Nurse Anesthetist Traineeship	93.124	A22HP26003	37,415
Nurse Faculty Loan Program	93.264	E01 HP25888	177,305
Nurse Faculty Loan Program-ARRA	93.408	E0 AHP18909	46,713
Total U.S. Department of Health and Human Services			7,136,631
TOTAL STUDENT FINANCIAL ASSISTANCE			66,082,990

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
OTHER FEDERAL ASSISTANCE:			
U.S. Department of Health and Human Services:			
Professional Nurse Traineeship	93.358	A10 HP25129	$ 63,337
Passed through State of Illinois Department of Human Services:			
Early Intervention Services	84.181	FCSSO00924	562,094
Passed through State of Illinois Department of Public Health:			
	93.217		
Family Planning Program	93.667, 93.994	56180068C	124,144
School Based Health Center	93.994, 93.667	56380036C	303,500
City of Chicago Health Promotion	93.043	26100	37,866
City of Chicago Health Promotion	93.043	26113	26,398
City of Chicago Satellite	14.218	29870	6,495
IDPH-Emergency Dept. Asthma Surveillance	93.07	43283008B	504
Regional Perinatal Network	93.994	56380010C	272,591
Total Other Federal Assistance			1,396,929
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 121,268,518

(Concluded)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2015

State Grantor/Pass-through Grantor/Program or Cluster Title	State Grantor/ Pass-through Grantor's Number	State Expenditures
PASSED THROUGH THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH:		
Genetic Counseling/Clinical Services	53780218C	$ 64,264
Regional Perinatal Network	56380010C	135,745
Sickle Cell Program	53780204C	19,000
Total Illinois Department of Public Health		219,009
PASSED THROUGH THE ILLINOIS DEPARTMENT OF HUMAN SERVICES:		
Early Intervention Services	FCSSO00924	2,551,473
Total Illinois Department of Human Services		2,551,473
TOTAL EXPENDITURES OF STATE AWARDS		$ 2,770,482

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2015

1. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Awards (the "Schedules") include 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 or the Uniform Guidance in 2 CFR Part 200, as applicable, 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, 2015, Rush provided $6,168,743 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.

Program Title	CFDA	Subrecipient	Amount
National Institute of Health	93.RD	Various	$ 5,541,427
Virology Quality Assessment	93.HHSN	Frontier Science Foundation	84,141
		Research Triangle Institute	216,385
Virology Quality Assessment	93.HHSN	Frontier Science Foundation	63,510
		Research Triangle Institution	105,358
Westat Contract	93.HHSN	Hektoen Institute	71,413
National Center for Education Research	84.305	University of Illinois	52,170
Early detection of ovarian cancer by Tumor			-
Epithelium Targeted Molecular Ultrasound	12.42	University of Illinois	34,339
Total			$ 6,168,743

4. NONCASH ASSISTANCE

Rush did not receive any noncash federal awards or in-kind contributions during fiscal year 2015. In addition, Rush did not have any federal insurance in effect during the year ended June 30, 2015, to specifically cover federal expenditures.

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2015

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? __X__ yes _____ 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:

CFDA Numbers	Name of Federal Program or Cluster
Various	Research and Development

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

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

Part II—Financial Statement Findings

Reference Number: 2015-01

Criteria

General information technology controls related to access and monitoring of access are expected to be properly designed and implemented.

Condition

Access to the EPIC and GEAC applications is not adequately restricted in all circumstances and a process is not in place to review or monitor production changes made by certain system users.

Effects

Controls are not adequate to restrict access or to monitor production changes made by certain system users such that changes affecting the functionality and integrity of the application's data could potentially be made without knowledge and approval of management. No such instances were noted.

Underlying Cause

Access control restrictions for Rush's EPIC and GEAC applications do not provide adequate restrictions of certain users.

Recommendation

Management should consider performing a comprehensive review of information technology and vendor staff with the ability to change application code and data, utilize administrative functions, and update security configurations in the production environment. Segregation of duties should be maintained between those designing and configuring changes and those promoting those changes to production. Consider strengthening documentation around user administration controls.

Views of Responsible Officials and Planned Corrective Actions

Rush information technology management has restricted access to implement changes into production for the Epic Application (Programmer Prompt, Data Courier access) and for the GEAC application. A small number of necessary Epic vendor accounts remain with elevated access to the system, and management is currently working to obtain logging functionality to monitor and provide oversight of the remaining accounts with this elevated access. Rush information technology management has removed elevated access for the noninformation technology individuals identified with the elevated GEAC access.

Part III—Federal Award Findings and Questioned Costs

None noted.

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2014

Part II—Financial Statement Findings

None noted.

Part III—Federal Award Findings and Questioned Costs

None noted.