Rush System for Health

Consolidated Financial Statements as of and for the
Years Ended June 30, 2019 and 2018,
Single Audit Supplementary Report as of and
for the Year Ended June 30, 2019, and
Independent Auditors' Report

RUSH

RUSH UNIVERSITY SYSTEM FOR HEALTH

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Rush System for Health:

We have audited the accompanying consolidated financial statements of Rush System for Health and its subsidiaries (the "System"), which comprise the consolidated balance sheets as of June 30, 2019 and 2018, and the related consolidated statements of operations, 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 System'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 System'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 the System as of June 30, 2019 and 2018, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principle

As discussed in Note 2 to the financial statements, Rush has adopted Accounting Standards Updated No. 2016-14, Not-for-Profit Entities (Topic 958): *Presentation of Financial Statements of Not for Profit Entities* and ASU No. 2014-09, *Revenue from Contracts with Customers*, during the year ended June 30, 2019. Our opinion is not modified with respect to this matter.

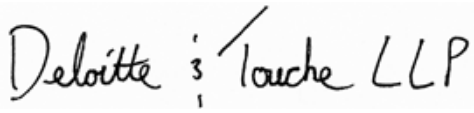
Other Matters

Other Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* is presented for purposes of additional analysis and is 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 audits 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 25, 2019, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rush's 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 25, 2019

RUSH SYSTEM FOR HEALTH
CONSOLIDATED BALANCE SHEET
(Dollars in thousands)

	As of June 30, 2019	As of June 30, 2018
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 118,939	$ 157,303
Accounts receivable for patient services	393,045	314,771
Other accounts receivable	78,085	59,464
Self-insurance trust — current portion	30,629	20,346
Other current assets	84,543	86,237
Total current assets	705,241	638,121
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments — less current portion	1,181,345	1,141,777
Limited as to use by donor or time restriction or other	609,603	598,020
Self-insurance trust — less current portion	126,150	114,617
Total assets limited as to use and investments	1,917,098	1,854,414
PROPERTY AND EQUIPMENT — net	1,552,941	1,497,632
OTHER ASSETS	67,252	54,339
TOTAL ASSETS	$ 4,242,532	$ 4,044,506
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable and accrued expenses	$ 73,977	$ 70,752
Accrued expenses	328,785	308,317
Estimated third-party settlements payable	187,276	180,107
Current portion of accrued liability under self-insurance programs	42,474	30,964
Current portion of long-term debt	14,270	13,156
Total current liabilities	646,782	603,296
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance programs — less current portion	205,771	181,462
Postretirement and pension benefits	47,724	24,392
Long-term debt — less current portion	580,252	598,371
Line of credit	36,500	36,500
Obligations under capital lease and other financing arrangements	41,770	51,470
Other long-term liabilities	118,988	118,706
Total long-term liabilities	1,031,005	1,010,901
Total liabilities	1,677,787	1,614,197
NET ASSETS:		
Without donor restrictions	1,727,068	1,652,774
With donor restrictions	837,677	777,535
Total net assets	2,564,745	2,430,309
TOTAL LIABILITIES AND NET ASSETS	$ 4,242,532	$ 4,044,506

See notes to the consolidated financial statements.

RUSH SYSTEM FOR HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(Dollars in thousands)

	For the Years Ended June 30,	
	2019	**2018**
NET ASSETS WITHOUT RESTRICTIONS		
REVENUE:		
Patient service revenue	$ 2,315,770	$ 2,142,514
Tuition and educational programs revenue	78,129	73,409
Research revenue and net assets released from restriction and used for research and other operations	135,302	123,440
Other revenue	82,063	93,274
Total revenue	2,611,264	2,432,637
EXPENSES:		
Salaries, wages and employee benefits	1,349,233	1,249,522
Supplies, utilities and other	787,850	728,022
Insurance	56,226	58,075
Purchased services	209,018	151,257
Depreciation and amortization	126,899	126,847
Interest and fees	24,165	24,932
Pension settlement expense	23,235	-
Total expenses	2,576,626	2,338,655
OPERATING INCOME	34,638	93,982
NON-OPERATING INCOME		
Investment income and other — net	57,413	36,464
Contributions without donor restriction	2,677	1,835
Fundraising expenses	(10,938)	(10,105)
Change in fair value of interest rate swaps	(3,182)	4,402
Total non-operating income	45,970	32,596
EXCESS OF REVENUE OVER EXPENSES	$ 80,608	$ 126,578

(Continued)

RUSH SYSTEM FOR HEALTH
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in thousands)

	For the Years Ended June 30,	
	2019	**2018**
NET ASSETS WITHOUT DONOR RESTRICTIONS		
Excess of revenue over expenses	$ 80,608	$ 126,578
Net assets released from restrictions used for the purchase of property and equipment	16,804	1,919
Postretirement related changes other than net periodic postretirement cost	(22,270)	18,210
Other	(1,382)	123
Increase in net assets without donor restrictions	73,760	146,830
NET ASSETS WITH DONOR RESTRICTIONS		
Pledges, contributions and grants	95,867	69,015
Net assets released from restrictions	(61,499)	(49,808)
Net realized and unrealized gains on investments	26,308	48,529
Increase in net assets with donor restrictions	60,676	67,736
INCREASE IN NET ASSETS	134,436	214,566
NET ASSETS — Beginning of period	2,430,309	2,215,743
NET ASSETS — End of period	$ 2,564,745	$ 2,430,309

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

RUSH SYSTEM FOR HEALTH

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

	For the Years Ended June 30,	
	2019	**2018**
OPERATING ACTIVITIES:		
Increase in net assets	$ 134,436	$ 214,566
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	126,899	126,847
Postretirement related changes other than net period postretirement cost	22,270	(18,210)
Change in fair value of interest rate swaps	3,182	(4,402)
Net unrealized and realized gains on investments	(82,403)	(80,884)
Restricted contributions and investment income received	(57,840)	(15,468)
Investment gains on trustee held investments	(64)	(1,812)
Gain on sale of property and equipment	(1,595)	(20,945)
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(78,273)	(23,989)
Accounts payable and accrued expenses	13,281	37,910
Estimated third-party settlements payable	7,169	(2,710)
Pension and postretirement costs	1,062	(25,856)
Accrued liability under self-insurance programs	36,302	(14,413)
Other changes in assets and liabilities	(36,767)	(15,013)
Net cash provided by operating activities	87,659	155,621
INVESTING ACTIVITIES:		
Additions to property and equipment	(187,500)	(190,087)
Acquisition of physician practices	(632)	-
Proceeds from sale of property and equipment	2,293	78,624
Purchase of investments	(2,937,968)	(2,152,407)
Sale of investments	2,945,975	2,129,306
Net cash used in investing activities	(177,832)	(134,564)
FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	57,840	15,468
Proceeds from line of credit	-	3,981
Payment of bond issuance cost	-	(476)
Payment of long-term debt	(14,090)	(13,343)
Payment of obligations under capital lease and other financing arrangements	(3,939)	(3,340)
Proceeds from other financing arrangements	11,998	34,715
Net cash provided by financing activities	51,809	37,005
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(38,364)	58,062
CASH AND CASH EQUIVALENTS — Beginning of period	157,303	99,241
CASH AND CASH EQUIVALENTS — End of period	$ 118,939	$ 157,303
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 26,906	$ 24,659
Noncash additions to property and equipment	$ 21,228	$ 30,027

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF CONSOLIDATION

Rush System for Health ("Rush") is a multihospital system with operations that consist of several diverse activities with a shared mission of patient care, education, research, and community service. Rush consists of an academic medical center, Rush University Medical Center ("RUMC"), and two community hospitals, Rush Copley Medical Center ("RCMC") and Rush Oak Park Hospital ("ROPH"), that each serve distinct markets in the Chicago, Illinois, metropolitan area. RUMC, RCMC and ROPH are all Illinois not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Effective March 1, 2017, RUMC and RCMC reorganized their operations under a common corporate parent, Rush System for Health, an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code. Previous to this reorganization, RUMC had an affiliation with RCMC that covers governance and other organization relationships, including an Obligated Group. Pursuant to the Amended and Restated Master Trust Indenture dated February 1, 2015, RUMC and RCMC established an Obligated Group (the "Obligated Group") of which both are members along with ROPH. There were no changes to the Obligated Group members as a result of the reorganization under Rush. RUMC, ROPH and RCMC are jointly and severally liable for certain debts issued through the Illinois Finance Authority (IFA) (see Note 9).

Rush University Medical Center

RUMC, the largest member of Rush, is an academic medical center comprising Rush University Hospital (RUH) and Rush University, located in Chicago, Illinois, and ROPH, located in Oak Park, Illinois.

RUH — A 713-licensed bed acute care, rehabilitation and psychiatric hospital in Chicago, Illinois. RUH also includes a faculty practice plan, Rush University Medical Group, which employed 600 physicians as of June 30, 2019.

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 $171,261 and $162,399 in annual research expenditures during fiscal years 2019 and 2018, respectively.

ROPH — A 201-licensed bed acute care, rehabilitation, and skilled nursing hospital located in Oak Park, Illinois, eight miles west of RUH. ROPH includes an employed medical group, which employed 51 physicians as of June 30, 2019. RUMC is the sole corporate member of ROPH.

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 95 physicians as of June 30, 2019.

Rush Health

Rush Health is a network of providers whose members include RUH, ROPH, and RCMC. Rush Health has approximately 1,908 physicians and 584 allied health providers who are on the medical staff of the member hospitals. 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 17).

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).

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, 2019, are presented for the purpose of additional analysis of Rush's 2019 consolidated financial statements taken as a whole.

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.

New Accounting Pronouncements

Effective July 1, 2018, Rush adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which outlined 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. ASU 2014-09 also required expanded disclosures regarding an entity's revenue recognition policies and significant judgments employed in the determination of revenue. The core principle of the revenue model is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU has been applied retrospectively to all periods presented. The adoption of the ASU did not have a material impact on the consolidated financial statements.

Effective July 1, 2018, Rush adopted ASU No. 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made (Topic 958).* The ASU provides additional guidance on whether a transaction should be accounted for as a contribution or as an exchange transaction under ASU No. 2014-09, as well as additional guidance on conditional contributions. The adoption of the ASU did not have a material impact on the consolidated financial statements.

Effective July 1, 2018, Rush adopted ASU No. 2016-14, *Presentation of Financial Statements of Not-for Profit Entities*. The ASU required not-for-profit entities to present on the face of the balance sheet and statement of changes in net assets amounts for two classifications of net assets rather than the previous three classifications, and also enhanced several qualitative and quantitative disclosures related to net assets. Rush has elected to apply the practical expedient and not disclose prior year liquidity and availability of resources and functional expenses.

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The ASU requires lessees to recognize the right-of-use assets and liabilities that arise from all leases with terms greater than twelve months. The ASU also requires repayments of operating and financing leases to be classified as operating or financing activities, respectively, on the statement of cash flows. Rush adopted the ASU effective July 1, 2019 using a modified retrospective approach. On July 1, 2019, the adoption resulted in an increase of $158 million in right-of-use assets and lease liabilities for operating leases. In addition on July 1, 2019, Rush recognized an increase to net assets without donor restrictions of $34,531

from a cumulative effect of change in accounting principle, which was related to the remaining deferred gain on sale of property from a previous sale leaseback transactions.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits.* The ASU amends the disclosure requirements related to the income statement presentation of the components of net periodic benefit cost for sponsored defined benefit pension and other postretirement plans. The ASU requires entities to disaggregate the current service cost component from other components within the net benefit cost and present it with other current compensation costs on the income statement, as well as present the other components outside of income from operations. Rush adopted the ASU effective July 1, 2019. The adoption did not have a material impact on the consolidated financial statements.

In August 2016, the FASB issued ASU 2016-15, *Classification of Certain Cash Receipts and Cash Payments*, which amends guidance on the classification of certain cash receipts and payments within the statement of cash flows that were previously unclear or in which there were no specific guidelines. Rush was required to adopt this standard effective July 1, 2019, which did not have a material impact on the consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU eliminates the requirement for not-for-profit organizations to disclose fair value information for financial instruments measured at amortized cost. Rush elected to early adopt this part of the ASU in fiscal year 2019, and therefore Rush did not disclose the fair value information for financial information measured at amortized cost. The remaining parts of the ASU are effective for fiscal year 2020.

In January 2017, the FASB issued ASU 2017-04, *Intangibles — Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The ASU eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. Rush will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. Rush is beginning to asses the impact of the standard, which is required to be implemented in fiscal year 2023.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement* (Topic 820): *Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement*. The ASU removes, modifies and adds certain disclosure requirements on fair value required by Topic 820. The ASU is not expected to have a material impact on the consolidated financial statements, which is required to be implemented in fiscal year 2021.

In August 2018, The FASB issued ASU No. 2018-14, *Compensation-Retirement Benefits-Defined Benefit Plans*. The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU allows entities to remove disclosures over accumulated comprehensive income and certain information about plan assets. The ASU also requires entities to add disclosures over reasons for significant gains and losses affecting the benefit obligation and any explanation for other significant changes in the benefit obligation or plan assets. Rush is beginning to assess the impact of the standard, which is required to be implemented in fiscal year 2021.

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.

Patient Service Revenue and Patient Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which Rush expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and governmental programs) and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, review and other investigations. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by Rush. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. Rush believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients at Rush receiving inpatient acute care services. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. Rush measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. For performance obligations satisfied at a point in time, revenue is generally recognized when goods are provided to its patients and customers in a retail setting. In these instances, Rush does not believe it is required to provide additional goods related to that patient. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of health care services provided to patients who are still receiving inpatient care at Rush at the end of the year. Such amounts totaled $18,189 and $18,673 at June 30, 2019 and 2018, respectively, and are included within other current assets.

Rush determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with Rush's policy as well as implicit price concessions provided to patients. Rush determines its estimates of contractual adjustments and discounts based on contractual agreements, published rates, its discount policies and historical experience. Rush determines its estimate of implicit price concessions based on its historical collection experience. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. Rush determines its estimate of implicit price concessions for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions.

Rush uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on historical collection trends and other analysis, Rush believes that revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

Consistent with Rush's mission, care is provided to patients regardless of their ability to pay. Rush provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Such amounts determined to qualify as charity care are not reported as revenue. Therefore, Rush has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts Rush expects to collect based on its collection history with those patients. For the years ended June 30, 2019 and 2018, implicit price concessions totaled approximately $79,952 and $81,078, respectively.

Inventory

Medical supplies, pharmaceuticals, and other inventories are stated at the lower of cost or net realizable value 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, 2019 and 2018, 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. Real estate investments are carried at amortized cost. Investments in private equity funds entered into on or after July 1, 2012, are measured at fair 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. Such differences could be material. Investments in private equity funds entered into during fiscal year 2012 or prior years are reported at cost, adjusted for impairment losses, based on information provided by the respective partnership when Rush's ownership percentage is minor (less than 5%). Investments in private equity funds where Rush's ownership percentage is more than minor, but consolidation is not required (5% to 50%), are accounted for on the equity basis. These investments are periodically assessed for impairment. The financial statements of hedge funds and private equity funds are audited annually, generally on December 31. Rush's risk in alternative investments is limited to its capital investment and any future capital commitments (see Note 5).

Investment income or loss (including interest, dividends, realized and unrealized gains and losses, and changes in cost-based valuations) is reported within excess of revenue over expenses within the accompanying consolidated statements of operations and changes in net assets, net of investment related expenses, unless the income or loss is restricted by donor or interpretation of law. Investment gains and losses on Rush's endowment and trustee-held funds are recognized within net assets with donor restrictions. Income earned on tax-exempt borrowings for specific construction projects is offset against interest expense capitalized for such projects.

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 non-operating 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 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. Buildings and building service equipment assets have an estimated useful life of 10 to 80 years, moveable equipment assets have an estimated useful life of 5 to 10 years, and computer software and hardware assets have an estimated useful life of 3 to 5 years.

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. No asset impairments were recorded during the years ended June 30, 2019 and 2018.

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. Asset retirement obligations are reported in other liabilities in the accompanying consolidated balance sheets and amounted to $22,263 and $21,187 as of June 30, 2019 and 2018, respectively.

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 discussed in Note 1. As of June 30, 2019 and 2018, noncontrolling interests in consolidated subsidiaries amounted to $7,953 and $11,545, respectively. The amounts related to noncontrolling interests are recorded in net assets without donor restrictions, 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. Effective April 1, 2019, Rush's ownership interest in the Rush Oak Brook Surgery Center joint venture was decreased from 50% to 25%. As a result the joint venture is no longer consolidated within the accompanying consolidated balance sheet and is now recorded using the equity method. Total assets of $13,935, total liabilities of $15,197 and total net assets of $(1,262) were removed from the consolidated balance sheet on the date of the ownership change.

Deferred Financing Costs

Debt issuance costs, net of amortization computed on the effective interest basis over the life of the related debt, are reported within long-term debt in the consolidated balance sheets. Unamortized debt issuance costs amounted to $3,827 and $4,606 as of June 30, 2019 and 2018, respectively.

Other Assets

Other assets include investments in joint ventures accounted for on the equity basis, goodwill, insurance recoveries and other intangible assets. Rush reviews goodwill for impairment annually; no impairment was recorded for the fiscal years ended June 30, 2019 and 2018.

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

Net assets are classified based on the existence or absence of donor or grantor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions — Net assets without donor restrictions are resources available to support operations. The only limits on the use of these assets are the broad limits resulting from the nature of the organization, the environment in which it operates, the purposes specified in its corporate documents and its application for tax-exempt status, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of business. The net assets without donor restrictions of the Corporation are primarily derived from annual excess of revenue over expenses and net assets released from donor restrictions for operations. Voluntary resolutions by the Board to designate a portion of its net assets without donor restrictions for specific purposes are presented as board-designated. Because these designations are voluntary and may be reversed by the Board at any time, board-designated net assets are included under the caption “without donor restriction”.

Net Assets With Donor Restrictions — Net assets with donor restrictions are resources that are restricted by a donor for use for a particular purpose or in a particular future period. Some donor-imposed restrictions are temporary in nature, and the restriction will expire when the resources are used in accordance with the donor’s instructions or when the stipulated time has passed. Other donor-imposed restrictions are perpetual in nature, whereby the organization must continue to use the resources in accordance with the donor’s instructions.

Contributions

Unconditional contributions and promises to contribute cash and other assets (pledge receivable) are reported at fair value at the date the promise is received. Fair value is estimated as the net present value of the estimated future cash flows of such awards. Estimated future cash flows due after one year are discounted using interest rates commensurate with the time value of money concept. 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 $26,399 and $27,891 as of June 30, 2019 and 2018, respectively (see Note 15).

Conditional contributions are similarly reported at fair value when the conditions have been substantially met. Contributions are conditional when there are barriers that Rush must overcome to be entitled to the funds. Rush has received approximately $105,405 of conditional contributions whose conditions have not been substantially met as of June 30, 2019. Of this amount, approximately $79,113 relates to federal, state and local grant awards where Rush expects to meet the condition of incurring allowable expenditures under the various grants within the next twelve

months. Another $26,292 is related to awards from foundations and other not-for-profit organizations where Rush expects to recognize the contribution once the conditions have been met.

Unconditional contributions and conditional contributions whose conditions have been substantially met are reported as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, the restricted net assets are released as net assets without restrictions and reported in the consolidated statements of operations as other revenue (if time restricted or restricted for operating purposes) or reported in the consolidated statements of changes in net assets as net assets released from restrictions used for purchase of property and equipment (if restricted for capital acquisitions). Donor-restricted contributions for operating purposes whose restrictions are met within the same year as either received or the same year as the condition is substantially met 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, which are recorded in assets limited as to use within the accompanying consolidated balance sheets. 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.

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 net assets without donor restrictions, net of investment related expenses, except for 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).

Non-Operating Income (Expense)

Non-operating income (expense) includes items not directly associated with patient care or other core operations of Rush. Non-operating income (expense) consists primarily of investment returns without donor restrictions, 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), net of investment related expenses, 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, contributions without donor restrictions, and fundraising expenses.

Consideration of Events Subsequent to the Consolidated Balance Sheet Date

Rush has evaluated events occurring subsequent to the consolidated balance sheet date through October 25, 2019, the date the consolidated financial statements were available to be issued. There were no significant subsequent events through this date, with the exception of the adoption of ASU 2016-02, *Leases* and ASU 2017-07, *Compensation — Retirement Benefits,* the issuance of long-term debt and subsequent payoff of the outstanding line of credit (see Note 9), and the corporate restructuring of Rush Health. Effective August 12, 2019, Rush became the sole corporate member of Rush Health.

3. PATIENT SERVICE REVENUE

The mix of patient service revenue, recognized during the years ended June 30, 2019 and 2018, by major payor source and by lines of business, was as follows:

	June 30, 2019						
	RUH	ROPH	RCMC	Physician Groups	Clinical Joint Ventures & Other	Total	
Medicare	$ 356,835	$ 35,251	$ 71,149	$ 51,715	$ 13,552	$ 528,502	22.8%
Medicare Managed Care	61,079	7,527	22,928	7,900	-	99,434	4.3
Medicaid	71,238	1,440	34,529	4,582	2,347	114,136	4.9
Medicaid Managed Care	147,254	11,568	21,397	27,610	10,870	218,699	9.4
Managed Care	235,722	28,785	91,757	68,240	20,556	445,060	19.2
Blue Cross	479,360	34,627	82,896	52,566	19,843	669,292	28.9
Commercial, Self-Pay and Other	158,919	21,883	14,170	33,313	12,362	240,647	10.4
Revenue	$ 1,510,407	$ 141,081	$ 338,826	$ 245,926	$ 79,530	$ 2,315,770	100.0 %

	June 30, 2018						
	RUH	ROPH	RCMC	Physician Groups	Clinical Joint Ventures & Other	Total	
Medicare	$ 334,316	$ 34,106	$ 66,760	$ 48,240	$ 10,222	$ 493,644	23.0%
Medicare Managed Care	54,468	6,731	16,977	9,416	8	87,600	4.1
Medicaid	78,927	4,765	34,629	3,809	1,511	123,641	5.8
Medicaid Managed Care	132,588	10,736	16,073	21,829	6,998	188,224	8.8
Managed Care	232,876	28,166	82,953	59,965	15,526	419,486	19.6
Blue Cross	435,963	30,069	82,899	45,442	17,242	611,615	28.5
Commercial, Self-Pay and Other	136,961	19,954	14,921	36,598	9,870	218,304	10.2
Revenue	$ 1,406,099	$ 134,527	$ 330,133	$ 225,299	$ 61,377	$ 2,142,514	100.0 %

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

Medicare and Medicare Managed Care: Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.

Medicaid and Medicaid Managed Care: Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service.

Blue Cross, Managed Care, Commercial and Other: Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

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.

Laws and regulations governing payment programs are complex and subject to interpretation. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews and investigations. 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.

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 $42,267 and $56,284 during the years ended June 30, 2019 and 2018, respectively. For the years ended June 30, 2019 and 2018, the Medicaid payment of $105,985 and $110,409 was included in patient service revenue, representing 5% of the patient service revenue for fiscal years 2019 and 2018, respectively, and the tax assessment of $63,718 and $54,125, respectively, was included in supplies, utilities, and other expenses within the consolidated statements of operations and changes in net assets. The State of the Illinois and the Centers for Medicare and Medicaid Services (CMS) has approved a redesign of the Hospital Assessment program effective July 1, 2018. The redesign did not have a material impact on the RSH.

The following table presents the level of charity care and Medicaid provided for the years ended June 30, 2019 and 2018:

	2019	2018
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients—net of net benefit under the Program	$ 141,528	$ 104,515
Estimated costs and expenses incurred to provide charity care in the hospitals	26,968	33,877
Total	$ 168,496	$ 138,392

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 investments consisting of hedge funds, real estate investments, private equity funds, and private debt (see Note 2). Assets limited as to use by donor or time restriction also include unconditional promises to contribute (see Note 15).

Following is a summary of the composition of assets limited as to use and investments as of June 30, 2019 and 2018:

	2019	2018
Marketable securities and short-term investments	$ 15,108	$ 22,963
Fixed income securities	505,350	485,800
Public equity securities	235,884	218,261
Fund investments (mutual/commingled)	943,835	901,009
Alternative investments	230,777	210,140
Other	(39,365)	(20,978)
Total assets limited as to use and investments	1,891,589	1,817,195
Beneficial interest in trusts	29,739	29,675
Total assets limited as to use and investments—excluding pledges receivable	1,921,328	1,846,870
Net pledges receivable	26,399	27,891
Total assets limited as to use and investments	1,947,727	1,874,761
Less amount reported as current assets	(30,629)	(20,346)
Assets limited as to use and investments—noncurrent	$ 1,917,098	$ 1,854,415

As of June 30, 2019 and 2018, Rush has commitments for additional alternative investments totaling $122,481 and $133,752, 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 component 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, 4% for the years ended June 30, 2019 and 2018, approximates the real return that Rush expects to earn on its investments over the long term and totaled $5,731 and $5,419 for the years ended June 30, 2019 and 2018, respectively. The difference between the total investment return and the amount allocated to operations is reported in non-operating income and totaled $2,476 and $428 for the years ended June 30, 2019 and 2018, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2019 and 2018, the total annual investment return was approximately 5.7% and 4.3%, respectively.

The composition and presentation of investment income and the realized and unrealized gains and losses on all investments, net of investment related expenses, for the years ended June 30, 2019 and 2018, are as follows:

	2019	2018
Interest and dividends	$ 36,759	$ 34,345
Net realized gains on sales of securities	23,016	52,658
Unrealized gains (losses)—without donor restrictions	30,885	(2,293)
Unrealized (losses) gains—with donor restrictions	(1,979)	4,514
	$ 88,681	$ 89,224
Reported as:		
Other operating revenue	$ 6,044	$ 5,550
Nonoperating income	56,329	35,145
Net assets with donor restrictions - Net realized/unrealized gains on investments	26,308	48,529
	$ 88,681	$ 89,224

6. FAIR VALUE MEASUREMENTS

As of June 30, 2019 and 2018, 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 Accounting Standard Codification 820, *Fair Value Measurement*, 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 US treasuries and agencies), corporate and municipal bonds, collateralized obligations, interest rate swaps, commercial paper and currency options.

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 includes 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, 2019 and 2018:

Fair Value Measurements as of June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Valued @ NAV**	**Total Fair Value**
Marketable securities and short-term investments	$ 1,790	$ 219	$ -	$ 13,050	$ 15,059
Fixed Income Securities:					
U.S. Government and Agency securities	-	251,647	-	-	251,647
Corporate Bonds	-	204,966	-	-	204,966
Asset Backed Securities and Other	-	48,737	-	-	48,737
Public Equity Securities	235,884	-	-	-	235,884
Fund Investments (Mutual/Commingled):					
Fixed Income Funds	243,188	-	-	-	243,188
Public Equity Funds	225,222	-	-	261,265	486,487
Multi Asset Class Funds	163,466	-	-	26,819	190,285
Alternative Investments:					
Hedge Funds	-	-	-	71,226	71,226
Private Equity Partnerships	-	-	-	90,249	90,249
Private Debt	-	-	-	69,302	69,302
Other:					
Derivative Assets	-	416	-	-	416
Trustee-held Investments	-	-	29,739	-	29,739
Pending Transactions	-	(65,194)	-	-	(65,194)
Total investments	$ 869,550	$ 440,791	$ 29,739	$ 531,911	$ 1,871,991
Obligations under interest rate swap agreements	$ -	$ (14,782)	$ -	$ -	$ (14,782)
Other derivative liabilities	-	(867)	-	-	(867)
Total liabilities at fair value	$ -	$ (15,649)	$ -	$ -	$ (15,649)

There were no transfers between Level 1, 2, 3 or NAV during fiscal year 2019.

Fair Value Measurements as of June 30, 2018	Level 1	Level 2	Level 3	Valued @ NAV	Total Fair Value
Marketable securities and short-term investment	$ 1,736	$ 28	$ -	$ 21,199	$ 22,963
Fixed Income Securities:					
U.S. Government and Agency securities	-	226,069	-	-	226,069
Corporate Bonds	-	212,127	-	-	212,127
Asset Backed Securities and Other	-	47,605	-	-	47,605
Public Equity Securities	218,261	-	-	-	218,261
Fund Investments (Mutual/Commingled):					
Fixed Income Funds	237,138	-	-	-	237,138
Public Equity Funds	214,974	-	-	261,265	476,239
Multi Asset Class Funds	160,367	-	-	27,266	187,633
Alternative Investments:					
Hedge Funds	-	-	-	82,609	82,609
Private Equity Partnerships	-	-	-	74,301	74,301
Private Debt	-	-	-	53,229	53,229
Other:					
Derivative Assets	-	780	-	-	780
Trustee-held Investments	-	-	29,675	-	29,675
Pending Transactions	-	(45,113)	-	-	(45,113)
Total investments	$ 832,476	$ 441,496	$ 29,675	$ 519,869	$ 1,823,516
Obligations under interest rate swap agreements	$ -	$ (11,600)	$ -	$ -	$ (11,600)
Other derivative liabilities	-	(122)	-	-	(122)
Total liabilities at fair value	$ -	$ (11,722)	$ -	$ -	$ (11,722)

There were no transfers between Level 1, 2, 3 or NAV during fiscal year 2018.

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:

Fixed Income Securities — Fixed income securities consists primarily of U.S. Government and agency securities, corporate bonds, and asset backed securities, all of which are classified as Level 2. The fair value of investments in U.S. government and agency securities and corporate bonds was primarily determined using techniques consistent with the market approach, including matrix pricing and significant observable inputs of institutional bids, trade data, broker and dealer quotes, discount rates, issues spreads, and benchmark yield curves. The asset backed securities encompasses collateralized bond obligations, collateralized loan and mortgage obligations any other asset backed securities. The fair value of these securities was determined using techniques consistent with the market and income approach, such as discounted cash flows and matrix pricing.

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 interest 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:

	Interest in Trusts
Fair value — June 30, 2017	$ 27,863
Actual return on investments — Realized and unrealized losses	1,812
Purchases	-
Sales	-
Fair value — June 30, 2018	29,675
Actual return on investments — Realized and unrealized gains	64
Purchases	-
Sales	-
Fair value — June 30, 2019	$ 29,739

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. These investments consist of hedge fund of funds, private equity partnerships, and private debt within alternative investments. The NAV instruments listed in the fair value measurement tables use the following valuation techniques and inputs as of the valuation date:

Marketable Securities and Short Term Investments — Marketable securities and short term investments classified as NAV 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 quality and short term money market instruments with daily liquidity.

Fund Investments — Investments within this category consist of public equity funds and multi-asset funds. The fair value of public equity funds classified at NAV are 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 have a readily determinable market value or based on a net asset value. Multi-asset funds include investments in fund of funds that seek to provide both capital appreciation and income by investing 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 NAV are held in a commingled fund that invests primarily in global equity and bond mutual funds. Included in this category is a multistrategy hedge fund, 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. The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

Alternative Investments — Investments within this category consist primarily of hedge fund of funds, private equity partnerships, and private debt. The hedge fund of funds consist of diversified investments including equity long/short, credit long/short, event-drive, 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. 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, which is an equivalent of NAV.

The following table summarizes the attributes relating to the nature and risk of such investments as of June 30, 2019:

Entities that Report Fair Value Using NAV	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fund Investments (Mutual/Commingled)	None	Daily/Monthly	1-15 days
Alternative Investments:			
Hedge Funds	None	Quarterly	65-95 days
Private Equity Partnerships	$ 78,877	Not currently redeemable	N/A
Private Debt	43,605	Not currently redeemable	N/A
Total	$ 122,482		

7. ENDOWMENT FUNDS

Rush's endowment consists of more than 400 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 net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. 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 17% of Rush's endowment is available for general purposes for the years ended June 30, 2019 and 2018.

The Investment Committee of the Board of Trustees 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, 2019 and 2018, are as follows:

	Target Allocation and Range	Percentage of Endowment Assets	
Asset Class		**2019**	**2018**
Global equity	55% (+/- 5%)	56 %	56 %
Multi Asset Fund	10% (+/- 5%)	12	13
Private equity	15% (+/- 5%)	18	17
Fixed income	20% (+/- 5%)	14	15

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 7.0%. 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, 2019 and 2018 and income from the endowment fund provided $20,126 and $19,190 of support for Rush's programs during the fiscal years ended June 30, 2019 and 2018, respectively.

Composition of Endowment Fund and Reconciliation

The endowment net asset composition by type of fund as of June 30, 2019, consisted of the following:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds	$ -	$ 640,339	$ 640,339
Board-designated endowment funds	13,026	-	13,026
Total funds	$ 13,026	$ 640,339	$ 653,365

Changes in endowment net assets for the fiscal year ended June 30, 2019, consisted of the following:

	Without Restrictions	With Restrictions	Total
Endowment net assets — June 30, 2018	$ 7,988	$ 630,156	$ 638,144
Contributions	5,000	3,567	8,567
Net investment return	211	26,729	26,940
Transfer of endowment appreciation	(173)	(20,113)	(20,286)
Endowment net assets — June 30, 2019	$ 13,026	$ 640,339	$ 653,365

The endowment net asset composition by type of fund as of June 30, 2018, consisted of the following:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds	$ -	$ 630,156	$ 630,156
Board-designated endowment funds	7,988	-	7,988
Total funds	$ 7,988	$ 630,156	$ 638,144

Changes in endowment net assets for the fiscal year ended June 30, 2018, consisted of the following:

	Without Restrictions	With Restrictions	Total
Endowment net assets — June 30, 2017	$ 7,752	$ 590,675	$ 598,427
Contributions	-	7,782	7,782
Net investment return	420	51,017	51,437
Transfer of endowment appreciation	(184)	(19,318)	(19,502)
Endowment net assets — June 30, 2018	$ 7,988	$ 630,156	$ 638,144

Fund Deficiencies

Rush monitors the accumulated losses on investments within net assets restricted by donors to be maintained in perpetuity to determine whether the endowment corpus has been impaired. The endowment funds are invested in an investment pool, which also includes investments with net assets restricted by donors for a specific time period or purpose and investments within net assets without donor restrictions. No endowments were impaired for fiscal years ending June 30, 2019 and 2018.

8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2019 and 2018 consisted of the following:

	2019	2018
Land and buildings	$ 2,110,350	$ 2,082,657
Equipment	822,928	763,476
Construction in progress	221,838	163,003
Total	3,155,116	3,009,136
Less accumulated depreciation	(1,602,175)	(1,511,504)
Property and equipment, net	$ 1,552,941	$ 1,497,632

Property and equipment, net, includes $1,656 and $39,581 in leased property and equipment as of June 30, 2019 and 2018, respectively. Accumulated depreciation on leased property and equipment amounted to $452 and $22,977 as of June 30, 2019 and 2018, respectively.

Rush continues to make campus improvements and has a number of construction projects planned with a Master Facility Plan that began in fiscal year 2017. As of June 30, 2019 and 2018, Rush had construction commitments outstanding of $145,425 and $70,937, 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. 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, 2019 and 2018, such issuances are secured by a pledge of gross receipts, as defined, of the Obligated Group members.

A summary of Rush's long-term debt as of June 30, 2019 and 2018, is as follows:

	Interest Rates	Final Maturity Date	Amount Outstanding at June 30, 2019	Amount Outstanding at June 30, 2018
Illinois Finance Authority Revenue Bonds:				
Fixed-rate revenue bonds:				
Series 2015 A/B	5.00%	November 15, 2039	$ 457,475	$ 466,365
Variable-rate revenue bonds:				
Series 2016	Average of 2.89% and 1.78% in FY2019 and FY2018, respectively	November 1, 2045	50,000	50,000
Series 2011, Tax-Exempt Private Placement with a commercial bank	Average of 2.73% and 1.67% in FY2019 and FY2018, respectively	November 1, 2024	31,405	34,665
Total variable rate debt			81,405	84,665
Total tax-exempt debt			538,880	551,030
Other Debt:				
Mortgage loan, collateralized by fitness ce	4.40%	May 2021	2,006	2,986
Line of Credit	3.20%	August 29, 2019	36,500	36,500
Total par value of debt			577,386	590,516
Less current portion of long-term debt			(14,270)	(13,156)
Deferred Financing Costs			(3,827)	(4,606)
Less unamortized premium			57,463	62,117
Long-term debt			$ 616,752	$ 634,871

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; limitations on selling, leasing, or otherwise disposing of Obligated Group property; and certain other nonfinancial covenants. Management believes the Obligated Group was in compliance with its financial covenants as of June 30, 2019 and 2018.

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

Years Ending June 30	
2020	$ 14,270
2021	15,121
2022	15,740
2023	16,600
2024	17,975
Thereafter	497,680
Total	$ 577,386

Lines of Credit Arrangements

The Obligated Group had a $100 million short-term line of credit with a bank as of June 30, 2018, which would mature on December 31, 2020. In fiscal year 2019, this short-term line of credit was refinanced and reduced to $75 million with a December 31, 2021 maturity date. Any borrowings on this short-term line of credit are due and payable in 180 days. As of June 30, 2019 and 2018, the Obligated Group had $36,500 outstanding on this line of credit.

On August 29, 2019, the Obligated Group issued Series 2019 fixed-rate tax exempt revenue bonds for $36,752, the proceeds of which were used to pay off the outstanding line of credit borrowings of $36,500 and reimburse RCMC for certain costs. The bonds mature on September 1, 2049.

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 (1.613% and 1.421% as of June 30, 2019 and 2018, respectively) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2019 and 2018, the Swap Agreements had a notional amount of $75,400 and $79,150, respectively ($37,700 in notional amount with each counterparty). Following the refinancing of the Series 2006A Bonds, the Obligated Group used $50,000 in notional amount of the Swap Agreements to synthetically fix the interest on the Series 2008A Bonds, which were refinanced into the Series 2016 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, 2019 and 2018, the Obligated Group had no collateral posted under Swap Agreements.

The fair value of the Swap Agreements was as follows as of June 30, 2019 and 2018:

	Reported As	June 30 2019	June 30 2018
Obligations under Swap Agreements	Other long-term liabilities	$ (14,782)	$ (11,600)
Collateral posted under Swap Agreements	Other current assets	-	-
Obligations under Swap Agreements, net		$ (14,782)	$ (11,600)

The fair value of the Swap Agreements reported in Rush's consolidated balance sheets as of June 30, 2019 and 2018, 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, 2019 and 2018, were as follows:

	Reported As	Fiscal Years Ended June 30 2019	Fiscal Years Ended June 30 2018
Change in fair value of interest rate swaps	Nonoperating (expense) income	$ (3,182)	$ 4,402
Net cash payments on interest rate swaps	Interest expense	(1,796)	(2,323)

11. OBLIGATIONS UNDER CAPITAL LEASE AND OTHER FINANCING ARRANGEMENTS

RUMC is party to certain capital lease and long-term financing arrangements relating to medical and office equipment and buildings. Expiration of leases ranges from 2016 to 2024. Annual interest expense under these lease agreements was $2,112 and $1,930 for the years ended June 30, 2019 and 2018, respectively. Assets acquired under capital lease arrangements are included in property and equipment, net, in the accompanying consolidated balance sheets. During fiscal years 2019 and 2018, one of Rush's joint ventures, Rush Oak Brook Orthopaedic, LLC, had draws of $6,285 and $34,715, respectively, from a construction line of credit to finance the construction of a new medical office building in Oak Brook, Illinois. The outstanding balance is recorded within other financing arrangements of the accompanying consolidated balance sheet, which totaled $40,790 as of June 30, 2019. RUMC guarantees 25% of the outstanding balance until certain metrics within the credit agreement are achieved.

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

Years Ending June 30	
2020	$ 5,480
2021	3,170
2022	3,216
2023	3,290
2024	3,321
Thereafter	37,850
Total minimum payments	56,327
Less amount representing interest	(12,616)
Net present value of obligations under capital lease and other financing arrangements	43,711
Less current portions included in accounts payable	(1,941)
Long-term portion of obligations under capital lease and other financing arrangements	$ 41,770

12. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Prior to January 1, 2012, RUMC 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 an enhanced retirement opportunity ("ERO") to certain RUMC and ROPH employees meeting eligibility requirements during fiscal year 2019, resulting in a total settlement of $69,416. In addition, the ERO triggered a one-time non-cash charge of $23,235 as a result of the total payments exceeding the plan's interest cost and service cost components in fiscal year 2019, which is recorded as pension settlement expense within the accompanying consolidated statement of operations and changes in net assets.

In addition to the pension programs, RUMC 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 Plans 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 RUMC's component balance sheets as of June 30, 2019 and 2018.

Obligations and Funded Status	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2019	2018	2019	2018
Actuarial present value of benefit obligations — accumulated benefit obligation	$ 1,050,875	$ 1,008,810	$ 6,296	$ 6,495
Change in projected benefit obligations:				
Projected benefit obligation — beginning of measurement period	$ 1,032,807	$ 1,065,233	$ 6,495	$ 7,516
Service costs	21,741	21,743	220	181
Interest costs	45,040	43,325	290	308
Employee contributions	-	-	290	413
Special termination benefits	10,298	-	-	-
Plan settlements	(69,416)	(406)	-	-
Actuarial (gain) loss	83,496	(47,893)	(467)	(1,332)
Benefits paid	(44,473)	(49,195)	(532)	(591)
Projected benefit obligation - end of measurement period	$ 1,079,493	$ 1,032,807	$ 6,296	$ 6,495
Change in plan assets:				
Fair value of plan assets — beginning of measurement period	$ 1,014,502	$ 1,003,729	$ -	$ -
Actual return on plan assets	101,700	25,968	-	-
Employer contributions	35,341	34,406	242	178
Plan participant contributions	-	-	290	413
Plan settlements	(69,416)	(406)	-	-
Benefits paid	(44,473)	(49,195)	(532)	(591)
Fair value of plan assets — end of measurement period	$ 1,037,654	$ 1,014,502	$ -	$ -
Accrued benefit liability	$ 41,839	$ 18,305	$ 6,296	$ 6,495

The actuarial cost method used to compute the Defined Benefit Pension Plans 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 Healthcare Plans	
	2019	2018	2019	2018
Net periodic pension cost comprised of the following:				
Service cost	21,741	21,743	220	181
Interest cost on projected benefit oblgiation	45,040	43,325	290	308
Expected return on plan assets	(62,120)	(66,486)	-	-
Amortization of prior service cost and other acturial amounts	(665)	(662)	-	-
Recognized actuarial loss (gain)	9,273	10,106	(368)	4
Special termination benefit recognized	10,298	-	-	-
Recognized settlement loss	12,938	54	-	-
Net periodic pension cost (credit)	$ 36,505	$ 8,080	$ 142	$ 493

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	
	2019	2018	2019	2018
Accrued benefit liability — beginning of measurement period	$ 18,305	$ 61,505	$ 6,495	$ 7,516
Fiscal year activity:				
Net periodic pension cost	23,683	8,080	142	493
Employer contributions	35,341	(34,406)	(242)	(178)
Post retirement-related changes and other net periodic postretirement costs:				
Actuarial (gain) loss	43,915	(7,376)	(467)	(1,332)
Reclassification adjustment for losses reflected in periodic expense	(8,723)	(9,498)	368	(4)
Accrued benefit liability — end of measurement period	$ 41,839	$ 18,305	$ 6,296	$ 6,495
Recognized in the consolidated balance sheets as follows:				
Accrued expenses	$ -	$ -	$ -	$ 564
Noncurrent liabilities	41,839	18,305	6,296	7,267
	$ 41,839	$ 18,305	$ 6,296	$ 7,831

In accordance with FASB guidance regarding accounting for defined benefit pension and other postretirement plans, all previously unrecognized actuarial losses and prior service costs are reflected in the consolidated balance sheets. The postretirement-related charges other than net periodic benefit cost related to the Defined Benefit Pension Plans and Postretirement Healthcare Plans are included as a separate (decrease) increase to net assets without restrictions and total $(22,270) and $18,210 for fiscal years 2019 and 2018, respectively. For fiscal year 2019, this amount includes actuarial gains arising during fiscal year 2018 of $(43,448) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2019 of $8,356. For fiscal year 2018, this amount includes actuarial gains arising during fiscal year 2017 of $8,708 and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2018 of $9,502.

The Defined Benefit Pension Plans and Postretirement Healthcare Plans items not yet recognized as a component of periodic pension and postretirement medical plan expense, but included within net assets without restrictions as of and for the years ended June 30, 2019 and 2018, are as follows:

	Defined Benefit Pension Plans		Postretirement Healthcare Plans	
	2019	2018	2019	2018
Unrecognized prior service credit	$ 1,930	$ 2,595	$ -	$ -
Unrecognized net actuarial (loss) gain	(277,683)	(255,979)	1,304	1,205
Total	$ (275,753)	$ (253,384)	$ 1,304	$ 1,205

An estimated $665 in prior service credit and ($10,783) in net actuarial loss will be included as components of periodic pension expense in fiscal year 2020. An estimated $548 in net actuarial gain will be included as components of periodic postretirement expense in fiscal year 2020.

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				Postretirement Healthcare Plans	
	Retirement Plan		Pre-2015 Separations Plan			
	2019	2018	2019	2018	2019	2018
Discount rate — benefit obligation	3.75 %	4.45 %	3.65 %	4.45 %	3.75 %	4.45 %
Discount rate — pension expense	4.45	4.15	4.45	4.05	4.45	4.15
Rate of increase in compensation levels	5.42	5.42	-	-	-	-
Expected long-term rate of return on plan assets	6.90	7.00	5.75	6.50	-	-
Health care cost trend rate (initial)	-	-	-	-	6.20	6.40
Health care cost trend rate (ultimate)	-	-	-	-	4.50	4.50
Year the rate reaches ultimate trend rate	-	-	-	-	2038	2038

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 2019 and 2018, 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, 2019 and 2018, the actual rate of return on plan assets was 11.4% and 3.1%, respectively.

Plan Assets

RUMC's investment objective for its Defined Benefit Pension Plans is to achieve a total return on plan assets that meets or exceeds the return on the plan's liability over a full market cycle with consideration of the plan's current funded status. Investment risk is effectively managed through diversification of assets for a mix of capital growth and capital

protection across various investment styles. The asset allocation policy reflects this objective with allocations to return generating assets (e.g., 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 RUMC's ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. RUMC routinely monitors and assesses methodologies and assumptions used in valuing these interests.

The fair value of the Defined Benefit Pension Plan assets as of June 30, 2019 and 2018 is as follows:

Fair Value Measurements as of June 30, 2019	**Level 1**	**Level 2**	**Level 3**	**Valued @ NAV**	**Total Fair Value**
Marketable securities and short-term investments	$ -	$ -	$ -	$ 18,290	$ 18,290
Fixed Income Securities:					
U.S. Government and Agency securities	-	428,073	-	-	428,073
Corporate Bonds	84,005	403,549	-	-	487,554
Asset Backed Securities and Other	-	35,940	-	-	35,940
Public Equity Securities	65,733	-	-	-	65,733
Fund Investments (Mutual/Commingled):					
Public Equity Funds	9,890	-	-	115,647	125,537
Multi Asset Class Funds	46,230	-	-	-	46,230
Alternative Investments:					
Private Equity Partnerships	-	-	-	18,420	18,420
Other:					
Derivative Assets	-	6,573	-	-	6,573
Pending Transactions	-	(191,523)	-	-	(191,523)
Total Plan Assets	$ 205,858	$ 682,612	$ -	$ 152,357	$ 1,040,827
Liablities					
Derivative Liablities	-	(9,267)	-	(1,490)	(10,757)
Total Liabilities at Fair Value	$ -	$ (9,267)	$ -	$ (1,490)	$ (10,757)

There were no transfers between Level 1, 2, 3 or NAV during fiscal year 2019.

Fair Value Measurements as of June 30, 2018	Level 1	Level 2	Level 3	Valued @ NAV	Total Fair Value
Marketable securities and short-term investments	$ -	$ -	$ -	$ 10,548	$ 10,548
Fixed Income Securities:					
U.S. Government and Agency securities	-	301,548	-	-	301,548
Corporate Bonds	86,443	344,417	-	-	430,860
Asset Backed Securities and Other	-	35,793	-	-	35,793
Public Equity Securities	86,036	-	-	-	86,036
Fund Investments (Mutual/Commingled):					
Public Equity Funds	9,931	-	-	144,304	154,235
Multi Asset Class Funds	75,814	-	-	-	75,814
Alternative Investments:					
Private Equity Partnerships	-	-	-	20,263	20,263
Other:					
Derivative Assets	-	8,967	-	-	8,967
Pending Transactions	-	(109,618)	-	-	(109,618)
Total Plan Assets	$ 258,225	$ 581,108	$ -	$ 175,115	$ 1,014,447
Liablities					
Derivative Liablities	-	(6,487)	-	-	(6,487)
Total Liabilities at Fair Value	$ -	$ (6,487)	$ -	$ -	$ (6,487)

There were no transfers between Level 1, 2, 3 or NAV during fiscal year 2018.

As of June 30, 2019 and 2018, the defined benefit pension plan's commitments for additional contributions to alternative investments totaled $3,130 and $3,169, respectively.

Cash Flows

RUMC 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 2020	$ 34,562	$ 465
Estimated Benefit Payments		
2020	$ 65,033	$ 465
2021	63,863	451
2022	67,405	464
2023	67,284	483
2024	69,265	533
2025 through 2029	347,160	2,803
Total	$ 680,010	$ 5,199

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 $24,468 and $19,901 for the years ended June 30, 2019 and 2018, 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 $24,468 and $26,483 as of June 30, 2019 and 2018, 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 $12,427 and $10,812 as of June 30, 2019 and 2018, respectively, and are included in investments — less current portion in the accompanying consolidated balance sheets. These supplemental retirement plans are currently funded at 92% 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 RUMC'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 patient accounts receivable from patients and third-party payors as of June 30, 2019 and 2018 was as follows:

	2019	2018
Medicare	19 %	17 %
Medicare Managed Care	6	5
Medicaid	11	9
Medicaid Managed Care	14	15
Blue Cross	22	26
Managed Care	24	24
Commercial	2	2
Self-pay	2	2
Total	100 %	100 %

Products sponsored by Blue Cross Blue Shield of Illinois, the largest health insurer in the market, accounted for 47% and 52% of managed care net patient accounts receivable as of June 30, 2019 and 2018, respectively, and 22% and 26%, respectively, of total patient accounts receivable of Rush.

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 period December 9, 2017 to December 15, 2018, Rush maintained a general liability self-insurance risk of $5 million each and every claim, and a professional liability self-insurance risk of $10 million each and every claim, with a $10 million annual aggregate buffer, excess the $10 million. For the period from December 15, 2018 to December 15, 2019, RUMC maintained a general liability self-insurance risk of $5 million each and every claim, and a professional liability self-insurance risk of $10 million each and every claim, with a $15 million annual aggregate buffer, excess the $10 million. The December 15, 2018 to December 15, 2019 self-insured retentions are now uniform across the Rush System for Health, with Rush Copley paying its own self-insured retention as part of this overall self-insured retention. Rush System for Health also maintains excess liability insurance coverage with combined limits of $130 million per occurrence and in the aggregate for general liability, professional liability, and other lines of liability coverage for the period from December 15, 2018 to December 15, 2019. The excess liability insurance increased from the 2017-2018 period, where the overall limits were $120 million. Rush has an established irrevocable trust fund to pay claims and related costs, which is recorded within the self-insurance trust in the accompanying consolidated balance sheets. Starting on January 1, 2010, RCMC implemented a self-insurance program for professional and general liability claims for claims not covered under the Chicago Hospital Risk Pooling Program. Self-insured risks are retained at $2,000 per claim and $10,000 annual aggregate with a $1,000 per claim and $1,000 aggregate buffer. RCMC also maintains excess liability insurance coverage with combined limits of $35,000 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 $247,930 and $211,920 as of June 30, 2019 and 2018, 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 $21,980 and $20,971 higher than the amounts recorded in the consolidated balance sheets as of June 30, 2019 and 2018, respectively. The discount rates used in calculating the present value by organization was 4% for fiscal years ended June 30, 2019 and 2018. Insurance recoveries are presented separately within noncurrent and current assets in the accompanying consolidated balance sheets, as appropriate. As of June 30, 2019 and 2018, 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 consolidated financial position or results of operations of Rush.

Obligations under Operating Leases

Rush is party to various noncancelable operating leases with third parties. Rental expense was approximately $37,851 and $33,257 for the years ended June 30, 2019 and 2018, 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, 2019, are as follows:

Years Ending June 30	
2020	$ 31,016
2021	27,331
2022	25,247
2023	21,405
2024	18,149
Thereafter	65,135
Total	$ 188,283

On December 29, 2017, Rush entered into a sale leaseback transaction over two properties. The sale resulted in cash proceeds of $76,582, a gain on sale of $20,927 recorded within other operating revenue of the accompanying consolidated statement of operations and a deferred gain on sale of $36,708 recorded within other liabilities of the accompanying consolidated balance sheet. RUMC will lease the space for ten years with future lease payments totaling $42,224 through December 2027.

15. UNCONDITIONAL PROMISES TO CONTRIBUTE

Included in assets limited by donor or time restriction are the following unconditional promises to contribute as of June 30, 2019 and 2018:

	2019	**2018**
Unconditional promises to contribute before unamortized discount and allowance for uncollectibles	$ 30,815	$ 29,201
Less unamortized discount	(816)	(741)
Less allowance for uncollectibles	(3,600)	(569)
Net unconditional promises to contribute	$ 26,399	$ 27,891
Amounts due in:		
Less than one year	$ 11,886	$ 9,754
One to five years	17,329	17,747
More than five years	1,600	1,700
Total unconditional promises to contribute	$ 30,815	$ 29,201

16. NET ASSETS

Net assets without donor restrictions consist of the following as of June 20, 2019 and 2018:

Net Assets Without Donor Restrictions	2019	2018
Non-Board designated	$ 1,714,042	$ 1,644,786
Board designated	13,026	7,988
Total net assets without donor restrictions	$ 1,727,068	$ 1,652,774

Net assets with donor restrictions were available for the following purposes as of June 30, 2019 and 2018:

Net Assets With Donor Restrictions	2019	2018
Restricted for specificed purpose:		
Construction and purchase of equipment	$ 28,492	$ 1,111
Health education	22,772	16,644
Research, charity and other	438,326	415,555
Unappropriated endowment appreciation available for operations	64,347	63,555
Total funds designated for specified purpose	$ 553,937	$ 496,865
Endowments, perpetual in nature, the income from which is expendable for the following specified purposes:		
Health education	$ 174,361	$ 172,174
Research, charity and other	69,900	36,465
Operations	39,479	72,031
Total endowment net assets	283,740	280,670
Total net assets with donor restrictions	$ 837,677	$ 777,535

During fiscal years 2019 and 2018, net assets were released from donor restrictions for purchasing property and equipment of $16,804 and $1,919, respectively, and incurring expenses of $43,828 and $46,775, 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.

17. JOINT VENTURES AND OTHER AFFILIATIONS

Investments in unconsolidated joint ventures, accounted for on the equity method, totaled $5,162 and $5,911 as of June 30, 2019 and 2018, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures, reported in other revenue, was $1,513 and $1,588 during the years ended June 30, 2019 and 2018, respectively.

Rush has a majority interest in Rush Health and a majority representation on the Board of Trustees as of June 30, 2019. The addition of RCMC to the network resulted in a restructuring of the governance and membership structure of Rush Health. Rush has recorded equity in Rush Health based on membership interest of 56% or $4,256 and $3,746 as of June 30, 2019 and 2018, respectively. 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.

18. FUNCTIONAL EXPENSES

The consolidated financial statements present certain expenses that are attributed to more than one program or supporting function. Operating expenses directly attributable to a specific functional area are reported as expenses of

those functional areas. Certain expenses are attributable to more than one functional area, and are therefore allocated on a reasonable basis that is consistently applied. Employee benefits are allocated based on factors of either salary expenses or hours worked. General and administrative expenses primarily include legal, finance and human resources activities. Overhead costs that include items such as professional services, office expenses, information technology, interest, insurance, occupancy and other similar expenses are allocated on a variety of factors, including relative costs, square footage, full-time equivalents, direct labor costs among others.

The expenses reported in the consolidated statement of operations for the year ended June 30, 2019, supported the following programs and functions:

	Healthcare Services	Academic & Research Activity	General & Administrative Support	Total
Salaries, Wages & Employee Benefits	$ 1,064,464	$ 153,106	$ 154,898	$ 1,372,468
Supplies, Utilities & Other	647,452	94,862	45,536	787,850
Insurance	53,347	-	2,879	56,226
Purchased Services	155,558	7,919	45,541	209,018
Depreciation and Amortization	125,989	-	910	126,899
Interest	22,741	-	1,424	24,165
Total	$ 2,069,551	$ 255,887	$ 251,188	$ 2,576,626

19. GOODWILL

The changes in the carrying amount of goodwill for the years ended June 30, 2019 and 2018, were as follows:

	2019	2018
Beginning balance	$ 20,383	$ 20,383
Acquisition of goodwill	347	-
Ending balance	$ 20,730	$ 20,383

20. LIQUIDITY

Rush's financial assets available within one year of the consolidated balance sheet date for general expenditures are as follows:

	2019
Current Assets:	
Cash and cash equivalents	$ 118,939
Accounts receivable for patient services	393,045
Other accounts receivable	40,451
Other current assets	20,327
Total current assets	572,762
Investments	1,153,989
Total	$ 1,726,751

Rush has a policy to structure its financial assets to be available as its general expenditures, liability and other obligations come due. Certain other current assets within the accompanying consolidated balance sheet have been excluded from the liquidity table above due to the inability to either liquidate those assets or use them for general expenditures and other obligations, such as prepaid assets, grant related receivables and tuition loan receivables. As described in Note 7, Rush's endowment consists of donor restricted funds established for a variety of purposes, with income from endowments being restricted for specific purposes. The Finance Committee of the Board of Trustees approves an annual endowment spending rate to be used for general purposes. As described in Note 9, Rush also has a $75 million line of credit available for working capital

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SUPPLEMENTAL SCHEDULES

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

To the Board of Trustees of Rush System for Health:

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 System for Health (the "System" or "Rush"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Rush's basic financial statements, and have issued our report thereon dated October 25, 2019.

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 Rush's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

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

Purpose of this Report

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

Deloitte & Touche LLP

October 25, 2019

Deloitte.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB UNIFORM GUIDANCE

To the Board of Trustees of Rush System for Health:

Report on Compliance for Each Major Federal Program

We have audited Rush System for Health's (the "System" or "Rush") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its Rush's major federal program for the year ended June 30, 2019. 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 federal statutes, regulations, and the terms and conditions of federal awards 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 the audit requirements of *Title 2* U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 Compliance for Each Major Federal Program

In our opinion, Rush complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2019.

Report on Internal Control over Compliance

Management of Rush is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rush's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test

and report on internal control over compliance in accordance with the Uniform Guidance, 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 a 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

December 18, 2019

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
RESEARCH AND DEVELOPMENT				
U.S. Department of Health and Human Services:				
National Institute of Health	93.RD		$ 55,437,414	$ 10,597,082
Passed through Blood Research of Wisconsin:				
Comparative Effectiveness in the Diagnosis of VWD	93.839	R01HL112614	3,400	
Passed through University of Alabama:				
Identifying therapeutic targets that confer synaptic resilience to Alzheimer's disease	93.866	R01AG061800	68,319	
Passed through University of Arizona:				
Building a Novel Predictive Networks for High-throughput, In-silico Key Driver Prioritization to Enhance Drug Target Discovery in Amp-AD and M2OVE-AD	93.866	RF1AG057457	10,910	
Passed through University of Hawaii:				
Profiling genome-wide circulating ncRNAs for the early detection of lung cancer	93.394	R01CA223490	3,299	
Passed through University of Mississippi:				
Jackson Heart Study Coordinating Center	93.RD	HHSN268201800010I	3,787	
Passed through Van Andel Research Institute:				
Promoting survival of dopamine neurons in models of Parkinso disease using a novel transcriptional regulator	93.853	R21NS105436	5,362	
Combining synucleinopathy and mitochondrial deficits in a novel mouse model of Parkinsons disease	93.853	R21NS106078	21,376	
Passed through Ohio State:				
IFITM-mediated inhibition of HIV infection and viral countermeasures	93.855	R01AI112381	16,032	
Passed through University of Utah:				
Circadian and sleep pathways to cardiometabolic disease risk: role of neurobehavioral processes	93.233	R01HL141706	11,367	
Passed through University of Texas:				
A Randomized Recruiment Intervention /RECRUIT	93.307	U24MD006941	8,829	
Passed through Loyola University:				
Host Response to Pessaries in teh Postmenopausal Vagina	93.866	R03AG050933	18,137	
Passed through University of Cincinnati:				
AtRial Cardiopathy and Antithrombotic Drugs in prevention After cryptogenicstroke ARCADIA	93.853	U01NS095869	1,491	
Passed through Metropolitan Chicago Healthcare Council:				
MCHC - Chicago Hospital Council Subaward Agreement	93.889	12102602	55,000	
Passed through CDC:				
Candida auris, an emerging fingal pathogen of high concern	93.RD	75D30118C02900	87,554	
Genomic Epidemiology of Community-Onset Invasive USA3 MRSA Infections	93.RD	75D30118C02923	109,421	24,326
Development of reproducible, quantitative methods based on shotgun metagenome sequencing for assessment of risk of microbial transmission	93.084	75D30118C02915	11,547	
Passed through Hektoen Institute:				
Chicago Consortium for the Women's Interagency HIV Study	93.855	U01AI034993	113,542	
Chicago WIHS Consortium - WIHS V	93.855	U01AI034993		
Chicago WIHS Consortium WIHS V	93.855	U01AI034993	27,146	
The Contribution of Sleep and Circadian Disruption to Kynurenine Pathway Activation and Cardiometabolic Risk in Women with HIV	93.838	HL142116-01	10,892	
Passed through Columbia University:				
Interdisciplinary Research to Understand the Interplay of Diabetes Cerebrovascular Disease and Alzheimer's D	93.866	RF1 AG051556	11,402	
Pathway Discovery, Validation for Alzheimer's Disease and Compound Identificationfor Alzheimer's Disease	93.866	U01 AG046152	457,037	
Pathway Discovery, Validation and Compound Identificationfor Alzheimer's Disease	93.866	U01 AG046152	82,750	
NIA Late Onset of Alzheimer's Disease (LOAD)Family Based Study	93.866	U24AG056270	45,939	
Pathway Discovery, Validation for Alzheimer's Disease and Compound Identificationfor Alzheimer's Disease	93.866	U01 AG046152	619	
Influence of Genotype on Monocyte and Microgila Phenotypeand Function in PD	93.866	R56 NS089674	98,464	
Deconstructing and modeling the single cell architectureof the Alzheimer brain	93.866	1RF1AG057473	67,803	
Convergence of myeloid susceptibility protein function in Alzheimer's disease	93.866	R01AG058852	49,329	
A Randomized Multicenter Clinical Trail of Unruptured Brain Arteriovenous Malformations (Aruba)	93.853	U01 NS051483	2,181	

(Continued)

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Passed through Jaeb Center for Health Research:				
Peripheral DR Lesions on Ultrawide-field Fundus Images and Risk of Diabetic Retinopathy Worsening Over time (Protocol AA)	93.867	U10 EY014231	567	
Passed through Northwestern University:				
Vitamin D add-on therapy enhances Corticosteroid responsiveness in Asthma	93.837	U10 HL098096	176,109	
Knee OA: Predicators and Outcomes of Physical Inactivity-Activity Transitions	93.846	R01AR054155	4,102	
NIAMS Multidisciplinary Clinical Research Center	93.846	P60AR064464	1,408	
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	118,500	
Chicago Clinical Trials Unit	93.855	UM AI069471	367,724	
SPORE in Prostate Cancer	93.397	P50CA180995	45,547	
Great Lakes Practive Transformation Network 5345/L1CMS331444	93.638	1L1CMS331444	1,320	
Food Allergy Outcomes Related to White and AfricanAmerican Racial Differences (FORWARD)	93.855	R01AI130348	177,656	
A Family Genetic Study of Language in Autism	93.173	R01DC010191	50,529	
Home Sleep and Circadian Phase: Mediators of RacialDisparities in Diabetes Risk	93.847	R01DK095207	(28)	
Multidisciplinary Treatment for Obstructive SLeepApnea and Insomnia	93.233	R01HL114529	203	
Latino vs Non-Latino Disparities in Advance Care Planning& End-of-Life Care	93.307	R01MD007652	1,839	
Synaptic Substrates of Age-Dependent Memory Deficits	93.866	2RF1AG017139	246,557	
Effect of Unilateral and Bilateral STN Stimulation onEye-Hand Coordination	93.853	R01NS092950	18,700	
Core Center for Clinical Research at NU	93.846	P30AR072579	16,361	
Center for chronic pain and drug abuse	93.279	P50DA044121	4,523	
Molecular mechanisms underlying behavioral and psychological symptoms in Alzheimers disease	93.866	R01AG062249	79,641	
Lupus Intervention Fatigue Trial (LIFT)	93.846	R01AR071091	1,467	
Passed through University of Chicago:				
Acceleration PrEP Diffusion through Network Change Agents	93.855	R01 AI120700	3,734	
Chicago Center for Youth Violence Prevention	93.136	U01CE002712	42,697	
Advancing Translational Science in Metropolitan Chicago-KL2 Component	93.350	KL2TR002387	397,363	
ITM 2.0: Advancing Translational Science in Metropolitan Chicago	93.350	UL1TR002389	799,151	
ITM 2.0: Advancing Translational Science in Metropolitan Chicago	93.350	UL1TR002389	60,136	
ITM 2.0: Advancing Translational Science in Metropolitan Chicago	93.350	UL1TR002389	13,397	
Chicago Metropolitan Asthma Consortium forSevere/exacerbation-prone Asthma	93.838	1UG1HL139125	38,000	
CTSA K12 Examining an Adaptive Telehealth Interventionfor Young Children with ASD	93.350	KL2TR002387	(68,833)	
Evaluating a Self-Care Innovation for Older Adults usingAgent-based Modeling	93.866	R01AG047869	7,181	
The role of elevated BIN1 in Alzheimer's disease	93.866	R01AG056061	85,536	
Illinois Precision Medicine Consortium	93.310	OT2OD026557	1,194,838	
Passed through University of Illinois:				
Leadership Education in Neurodevelopmental and Related Disorders Training Program	93.110	T73MC11047	5,022	
The Asthma Action at Erie Trial	93.838	R01 HL123797	25,583	
The Effect of Penile Microbiome on BV, GUD and Genital Epithelial Trauma	93.855	R01 AI110369	41,038	
Plasticity Circuits in Alzheimer's Disease	93.866	R01 AG033570	39,808	
The Effect of Alcohol on Retinal Photic Signaling to the Human Circadian System	93.273	R01AA023839	59,200	
Integrated Mechanisms of Cardiac Maladaptation	93.837	P01HL062426	105,687	
Diet Modulation of Bacterial Sulfur & Bile Acid Metabolism and Colon Cancer Risk	93.393	1R01CA204808	153,412	
Improving White Matter Integrity with Thyroid Hormone	93.853	R21NS095723	7,470	
Mediterranean Diet, Weight Loss, and Cognition in Obese Older Adults	93.837	R01HL129153	16,880	
Leadership Education in Neurodevelopmental and Related Disabilities Training Program	93.110	T73 MC11047-09-00	11,240	
Center for Health Equity Research (CHER)	93.307	U54MD012523	15,778	
AHEC Point of Service Maint & Enhancement	93.107	U77HP26847	33,364	13,489
Passed through Westat Inc:				
NICHD International and domestic Pediatric and Maternal HIV Studies Coordinating Center	93.RD	HHSN275201800001I	395,982	
NICHD International and Domestic Pediatric andMaternal HIV Studies Coordinating Center	93.RD	HHSN275201800001I	79,554	79,554
Passed through Yale University:				
Clinical Pathological Study of Cognitive Impairment in Essential Tremor	93.853	R01 NS086736	15,399	
Molecular Networks Underlying Resilience toAlzheimer's Disease Among APOE E4 Carriers	93.866	R01AG057912	94,447	
Passed through University of Montreal:				
Exploring the role of IL-32 as a potential biomarkeran therapeutic target in premature cardio-vasculardiseases during HIV-infection	93.866	R01AG054324	74,644	
NIAID (DHHS) Contract:				
Virology Quality Assurance Program	93.RD	HHSN272201200023C	1,911,302	

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Virology Quality Assurance Program	93.RD	HHSN272201200023C	261,401	261,401
Virology Quality Assurance Program	93.RD	HHSN272201200023C	106,281	106,281
Virology Quality Assurance Program	93.RD	HHSN272201200023C	66,312	66,312
Virology Quality Assurance Program	93.RD	HHSN272201200023C	108,548	108,548
Virology Quality Assurance Program	93.RD	HHSN272201200023C	702,696	
Passed through University of Miami:				
Mechanisms of Early Recurrence in Intracranial Atherosclerotic Disease	93.853	R01 NS084288	1,962	
Passed through University of California: USC, UC Davis, California Instiitute of Technology, Children Hosp LA, UCLA				
A Cognitive Test Battery for Intellectual Disabilties	93.865	R01 HD076189	127,878	
Alzheimer's Disease Neuroimaging Initiative 2 (ADNI2)	93.866	U01AG024904	94,699	
Alzheimer's Disease Cooperative Study - A4 Study	93.866	U19 AG010483	5,714	
AKAP-dependent regulation of Cardiac SR Ca handling	93.837	R01HL133832	85,659	
CD40 Autoantibody and FSGS Recurrence	93.847	R01DK109720	200,792	
Racial Differences in Decision Making among OlderAdults	93.866	R01AG055430	379,425	
Higher Precision Human and Mouse Transcriptomes	93.172	UM1HG009443	26,079	
Nonlinear Models of Cognition Preceding AD and non-AD in a Biracial Population Sample	93.866	R01AG051635	59,212	
Laboratory Center, AIDS Clinical Trails Group (ACTG) LC2/3	93.855	UM1AI106701	59,634	
Alzheimer's Clinical Trial Consortium (ACTC)	93.866	U24AG057437	193,457	
Passed through University of Washington:				
National Alzheimer's Coordinating Center	93.866	U01AG016976	(24,749)	
ADNI Psychometrics	93.866	R01AG029672	32,176	
Mechanisms of Psychosocial Treatments for ChronicLow Back Pain	93.213	R01AT008559	21,203	
Passed through Emory University:				
Clinical Studies of Dystonia and Related Disorders	93.853	U54 NS065701	(2,440)	
Discovery of Novel Proteomic Targets for Treatment of Alzheimer's Disease	93.866	U01 AG046161	90,507	
Testing Tele-Savvy, an Online Psychoeducation Program forInformal Alzheimer's Caregivers	93.866	R01AG054079	35,949	
Understanding the Molecular Mechanisms of Depression andPsychological Well-being in Alzheimer's Disease	93.866	R01AG056533	102,803	
Preparation for End-of-Life Decision Making in Mild Alzheimer's Disease	93.866	R01AG057714	19,455	
Building a High-resolution Multi-Omic ADInteractome with the AMO-AD and M2OVE-ADProjects	93.866	R01AG057470	55,368	
Brain - Plasma Proteomics Biomarker Discoveryand Validation int eh US and UK	93.866	RF1AG057471	45,593	
Computational Prediction and Functional Validation of Novel Risk Loci in Alzheimer's Disease	93.866	R56AG060757	36,600	
Computational Prediction and Functional Validation of Novel Epigenetic Risk Loci in Alzheimer's Disease	93.866	R56AG062256	46,122	
Passed through Albert Einstein College of Medicine:				
Role of Innate Immunity in HIV related vascular disease; biomarkers and mechanisms	93.837	R01 HL126543	2,082	
Integrated Analysis of CVD Risk in HIV: GutMicrobiota, Immune Function and Metabolites	93.837	R01HL140976	11,062	
Passed through John Hopkins:				
Multi Uveitis Steroid treatment trial	93.867	U10 EY024527	1,575	
Effects of Glucocortiods on Cognitive Functioning inHIV-infected Women	93.242	R01MH113512	11,734	
LOC - IMPAACT Leadership Group	93.855	UM1AI068632	198,828	
Translational Research in Neuro-AIDS Mental Health	93.242	R25MH080661	16,806	
HOPE in Action: A clinical trial of HIV-to-HIV deceased donor kidney transplantation	93.855	U01AI134591	194	
Passed through Brigham and Women's Hospital:				
LaboratoryCenter, AIDS Clinical Trial Group (ACTG)	93.855	1UM AI106701	115,303	
Aids Clincial Trial Group Network	93.855	AI068636	154,669	
AIDS Clincial Trial Group Network	93.855	AI068636	131,646	
Neurpathology for Disrupted Multiscale Activity Control in Alzheimer's Disease	93.866	R01 AG048108	36,242	
Fractal motor activity regulation and the risk for Alzheimers disease in middle to old age adults	93.866	R01AG059867	17,512	
AIDS Clinical Trial Group	93.855	5UM1AI068636-12	85,478	
Leadership & Operations Center (LOC) AIDS Clinical Trials Group (ACTG)	93.855	UM1AI068636-12	55,047	
Neuropathy doe disrupted multiscale activity control in Alzheimer's disease	93.866	R01AG048108	23,051	
ACOSOG- A Phase III Prospective, Randomized Trial Comparing Laparoscopic Assisted Resection Versus Open Resection for Rectal Cancer	93.395	U01 CA076001	8,200	

(Continued)

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Passed through Massachusetts General Hospital:				
Randomized Trial to Prevent Vascular Events in HIV - REPRIEVE	93.837	U01 HL23336	12,848	
Recurrent Hemorrhagic Stroke in Minority Populations	93.853	R01NS093870	34,795	
A randomized, double-blind, placebo-controlled trial of urate-elevating inosine treatment to slow clinical decline in early Parkinson disease.	93.823	U01NS090259	81,762	
Dynamin, actin and microtubules: cystiskeletal crosstalk in podocytes	93.847	R01DK093773	39,790	
Coenzyme Q1 in Huntington's Disease	93.853	5 U01 NS052592	520	
Passed through Great Lakes Hemophilia:				
Regional Program	93.184	H30 MC24052	33,732	
Public Health Surveillance for Bleeding Disorders	93.080	NU27 DD001155-01-00	30,415	
Passed through University of Florida:				
Genome-wide Profiling of Brain DNA Hydroxymethylome in Alzheimer's Disease	93.866	RF1AG052476	151,069	
Dignity Therapy RCT led by Nurses of Chaplains for Elderly Cancer Outpatients	93.395	R01CA200867	73,886	
Neuroimaging Biomarkers in Parkinsonism:Differentiating Subtypes and Tracking Disease Progression	93.853	U01NS102038	42,982	
Passed through University of Pittsburgh:				
Signaling Mechanisms of Focal Adhesion Protein Kindlin-2 in Chondrogenesis	93.846	R01 AR068950	210,461	
Cardiovascular and HIV/AIDS Effect on Brain Structure/ Function and Cognition	93.866	R01 AG034852	27,278	
Translational Evaluation of Aging, Inflammation & HIV inLung Dysfunction	93.838	R01 HL120398	86	
SIV Pathogenesis in African Green Monkeys and Pigtailed Macaques	93.837	R01HL117715-13A1	33,568	
Passed through University of Michigan/Michigan State:				
Nortriptyline-mediated attenuation of Alpha-Synuclein Pathology in Parkinson's Disease	93.853	R01 NS094460	295,567	
Systems Biology of Clostridium Difficile Infection	93.855	U01AI124255	219,512	
Genetic Silencing of Striatal CaV1.3 Calcium Channels as a Potent Antidyskinetic Therapy for PD	93.853	R01NS110398	75,083	
Bright light treatment at home to improve symptom management of fibromyalgia syndrome	93.361	R21NR016930	14,492	
Passed through Vanderbilt University:				
Reduced Opioid Analegsic Requirements via Improved Endogenous Opiod Function	93.279	R01 DA037891	163,295	
Genetic Drivers of Resilience to Alzheimer's Disease	93.866	R01AG059716	21,381	
Neuroprotective Effects of Vascular Endothelial Growth Factor in Alzheimer's Disease	93.866	R01AG061518	7,444	
Passed through Sunnybrook Research Institute:				
Sleep, Cicadian Rhythms, and Mechanisms of Cognitive Declinein the Human Brain	93.866	R01AG052488	369,336	
Passed thru Washington University:				
Washington University & BJC Epicenter forPrevention of Healthcare Associated Infections	93.084	U54CK000482	114,627	
Passed thru University of North Carolina at Chapel Hill:				
Oxidative Stress and the Development of Osteoarthritis	93.866	R01 AG044034	33,056	
The Role of Human Gut Microbiota in HIV-1 Rectal Acquisition, Replication and Pathogenesis	93.855	R01AI123010	18,309	
Passed thru Harvard Pilgrim Health Care:				
Safety and Healthcare Epidemiology Prevention Research Development (SHEPheRD) Program	93.823	2011-N-13526	955,628	65,602
CLUSTER - Cluster Linkage Using Statistics to Trigger andEvaluate Response - Pilot Study for Outbreak Detection and Response	93.084	U54CK000484	91,220	
Passed thru University of Indiana:				
National Cell Repository for Alzheimer's Disease (NCRAD)	93.866	U24 AG021886	22,322	
Foundational In Vivo Experiements on Osteocyte Biology in Space	43.007	NNX15AL13G	19,013	
Passed thru Virginia Polytechnic Institute and State University:				
Promoting Healing of Tendinopathies using Metabiologic Stimulation	93.846	R01 AR063144	94,997	
Passesd thru Gynecologic Oncology Group:				
Gynecologic Oncology Group	93.395	27469-09	1,387	
Passed through Baylor College of Medicine:				
Functional Validation of the CD1AP Susceptibility Network inAlzheimer's Disease	93.866	R01AG050631	60,745	
Mechanisms of couplon-linked skeletal muscle myopathies	93.846	R01AR072602	82,055	
Passed through Harvard Medical School:				
Targeting a Novel Regulator of Brain Aging and Alzheimer's Disease	93.866	R01 AG046174	51,690	
Genome Engineering an IPSC Model of Alzheimer's Disease	93.866	RF1 AG048056	28,401	
Passed through Boston University/Boston Childrens Hospital:				
The Brain Transcriptome & Lifetime Obesity Measures: The Framingham Study	93.847	R01 DK099269	68,908	
Passed through Boston Childrens Hospital:				
Development of Synaptopathies associated with TSC, PTEN and SHANK3	93.853	U54 NS092090	70,976	

(Continued)

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Passed through Oregon Health and Science Institute:				
ORCATECH Collaborative Aging (in Place) ResearchUsing Technology (CART)	93.866	1U2CAG054397-01	190,906	
Personality and Health: A Longitudinal Study	93.866	R01AG020048	32,099	
Passed through St. Joseph's Hospital and Medical Center:				
Neurobiology and Cognitive Impairment of the Elderly	93.866	P01 AG014449	82,032	
Passed through University of Iowa:				
Neuroendocrine Tumor Specialized Programs of ResearchExcellence (SPORE) in Human Cancer	93.397	P50CA174521	8,752	
Passed through Rutgers University:				
Myocardial Ischemia and Transfusion MINT	93.839	5U01HL133817	1,183	
Asain Resource Centers for Minority Aging Research RCMAR	93.866	P30AG059304	3,915	
Passed through Lurie Childrens Hospital:				
Employing eSBI in a Community-based HIV Testing Environment for at-risk Youth	93.279	R01 DA041071	80,886	
Passed through University of Rochester:				
Cohort of HIV-Associated Seizures and Epilepsy in Zambia)CHASE): Scale Up and Expansion Informed by R21 Findings	93.853	R01NS094037	8,733	
Passed through Wake Forest University Health Sciences:				
Developing Research at the Interface of HIV and Aging	93.866	R24AG044325	91,508	
Passed through NeuroNext- Novartis and Massachusetts General Hospital:				
Effects of AFQ056 on Language Learning in Young Childrenwith Fragile X Syndrome (FXS)	93.853	U01NS096767	76,101	
Effects of AFQ056 on Language Learning in Young Childrenwith Fragile X Syndrome (FXS)	93.853	U01NS096767	97,786	
Passed through NCI-NCTN (ECOG, ALLIANCE, NRG, SWOG)				
Phase III Trial of Enzalutamide versus Enzalutamide, Abriaterone and Prednisone for Castration Resistant Metastic Prostate Cancer	93.RD	A031201	212	
A Randomized Double Blind Phase III Study of Ibrutinib Durin and Following autologous Stem Cell Transplantation vs Placebo in Patients with Relapsed or Refractory Diffuse Large B-cell Lymphoma of the Activated B-cell Subtype	93.RD	A051301	150	
Phase II/III Trial of Adjuvant Radiotherapy and AndrogenDeprivation Following Radical Prostatectomy with orwithout Adjuvant Docetaxel	93.RD	NRG-GU002	60	
A Phase I and Expansion Cohort Study of Adjuvant Cisplatin,Intensity-Modulated Radiotherapy, and MK-3475 in High-RiskHead and Neck Squamous Cell Carcinoma	93.RD	NRG-HN003	138	
DART: Dual Anti-CTLA-4 and ANTI-PD-1 Blockadein Rare Tumors	93.RD	S1609	870	
Randomized phase III trial evaluating the role of weight los in adjuvant treatment of overweight and obese women with early breast cancer	93.RD	A011401	294	
A Randomized trial of Regional Radiotherapy in Biomarker Low Risk Node Positive Breast Cancer	93.RD	CCTG MA.39	191	
ALCHEMIST: Adjuvant Lung Cancer Enrichment Marker Identification and Sequencing Trial	93.RD	COG ARST1321	350	
Phase III trial assessing the accuracy of tumor bed biopsies in predicting pathologic response in patients with clinical/ radiologic complete response after neoadjuvant chemo in order to explore the feasibility of breast conserving trm	93.RD	NRG-BR005	1,686	
NSABP Found Inc.	93.RD	TFED29-065	87,498	
Phase III Comparison of Thoracic Radiotherapy Regimens in Patients with Limited Small Cell Lung Cancer Also Receiving Cisplatin and Etoposide	93.RD	CALBG-30610	159	
Pazopanib Neoadjuvant Trial in Non-Rhabdomyosarcoma Soft Tissue Sarcomas (PAZNTIS): A Phase II Trial of Preoperative Chemoradiation or Preoperative Radiation Plus or Minus Pazopanib (NSC# 737754, IND# 118613)	93.RD	COG ARST1321	1,706	
A Phase I Study with an Expansion Cohort of the Combination of Ipilimumab and Brentuximab Vedotin in Patients with Relapsed/Refractory Hodgkin	93.RD	E4412	260	
A Randomized Phase II Study Comparing Single-agent Olaparib single agent cediranib and the combo of cediranib/olaparib in women with recurrent, persisitent or metastic endometrial cancer	93.RD	NRG-GY012	161	
A Phase IB Trial of Neoadjuvant AMG232 Concurrent with Preoperative Radiotherapy in Wild-type P53 Soft Tissue Sarcoma (STS)	93.RD	NRG-DT001	1,022	
Androgen Deprivation Therapy and High Dose Radiotherapy with or without whole-pelvic in Unfavorable Intermediate or favorable High Risk Prostate Cancer: A Phase III Randomized Trial	93.RD		122	
A Randomized, Phase III trial to Evaluate the Efficacy and Safety of MK-3475 as Adjuvant Therapy for Triple Receptor Negative Breast Cancer with >1 CM Residual Invasive Cancer or Positive Lymph Nodes After Neoadjuvant Chemotherapy	93.RD	S1418	558	
Passed through Kaiser Foundation:				
Early Vascular Contributions to Dementia Risk in African-Americans	93.866	R01AG050782	7,552	
Passed through IIT:				
Comprehensive Probabilistic Atlas of the Brain of Older Adults without Dementia	93.866	1R01AG052200	95,351	

(Continued)

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Passed through Tufts University:				
Vitamins D and K Neuropathologically-Defined Alzheimer and Other Dementias in Older Persons	93.866	AG051641	171,963	
Passed through Mt. Sinai:				
Peripheral and Brain Levels of Advanced Glycation End Products AGEs and Incident Alzheimers Disease and Neuropathy	93.866	R01AG053446	347,297	
Integrative Network Modeling of Cognitive Resilience toAlzheimer's Disease	93.866	R01AG057907	38,551	
Leveraging Existing Aging Research Networks to Investigate TBI and AD/ADRD risk (LEARN TBI & AD)	93.866	R01AG061028	36,440	
Passed through University of Wisconsin:				
FMR1 Premutation Phenotypes in Population-Based and Clinically-Ascertained Samples	93.865	R01HD082110	26,713	
APOLLO - Upper Midwest	93.847	U01DK116092	31,752	
Passed through Mclean Hospital:				
Human iPSC-based Personalized Cell Therapy of PD	93.853	R01NS070577	197,318	
Passed through RTI:				
Assessing Preferences for use of Clinical Data Among Individuals with IDD and Their Guardians	93.310	R01HD086702	3,352	
Decisional Capacity and Informed Consent in Fragile X Syndrome	93.865	R01 HD071987	2,872	
Paased through University of Kansas:				
The Effects of Parenting on the Development and Behavior of FXS Adolescents	93.865	R01HD084563	67,813	
Passed through Thomas Jefferson:				
Optimizing Ultrasound Enhanced Delivery of Therapeutics	93.394	R01CA199646	(4,009)	
Passed through Beth Israel:				
iDEF Trial (Futility Study of Defroxamine Mesylate in Intracerebral Hemmorrhage	93.853	U01 NS074425	(33)	
Passed through Hospital for Special Surg:				
Mechnobiological Risk Factors for Initiation of Post Traumatic Osteoarthritis	93.846	R01 AR066635	183,870	
Passed through Case Western:				
Effects of IL-6 Blockade in treated HIV Infection	93.855	U01 AI105937	35,957	
Passed through Duke University:				
Metabolic Networks and Pathways in Alzheimer's Disease	93.866	R01AG046171	25,000	
Duke-UNC Prevention Epicenter Program for Prevention of Healthcare-Associated Infections	93.084	U54CK000483	27,840	15,644
Metabolomic signatures for disease sub-classification and target prioritization in AMP-AD	93.866	U01AG061359	16,138	
Passed through Cleveland Clinic:				
Dementia with Lewy Bodies Consortium	93.853	U01NS100610	36,995	
Passed through Cel-Sci Corporation:				
Preclinical Studies of Pg70 Leaps Peptide Vaccines forRheumatoid Arthritis	93.846	2R44AR063504	205,718	
Passed through Intl Rett Syndomr FDN:				
Rett Syndrome, MECP2 Duplications, and Rett-related DisorderNatural History	93.865	2U54HD061222-11	39,474	
Passed through the Jackson Laboratory:				
Systems Genetics Analysis of Resilience to Alzheimer'sDisease	93.866	R01AG057914	33,915	
Passed through Medical College of South Carolina:				
Genetic Marker of IgG and CytomegalovirusImmnuoevasion in Alzheimer Disease	93.866	R21AG058489	28,133	
Passed through National Fragile X Foundation:				
Fragile X Clinic and Research Cooperative ConsortiumAgreement	93.315	U01DD001186	978	
Passed through Valitor Inc:				
Long-acting anti-TNFa conjugates to minimize osteolysisaround joint replacement devices	93.846	R43AR071857	20,971	
Passed through Minneapolis Medical Research Foundation:				
Aspirin in Reducing Events in the Elderly (Aspree)	93.866	U01 AG029824	49,456	
Aspirin in reducing events in the elderly	93.866	U01 AG029824	7,092	
Total U.S. Department of Health and Human Services			73,776,294	11,338,239
U.S. Department of Agriculture:				
Passed through Care Progress:				
SBIR Phase II: Leveraging Health Information Technology to Improve Communication between Cancer Patients and Providers	10.212	1534685	3,311	
Total U.S. Department of Agriculture			3,311	-
U.S. Army Medical Research Acquisition Activity:				
Targeting Prolyl Peptidases in Triple-Negative Breast Cancer	12.420	W81XWH-16-1-0025	201,842	
Objective Phenotyping in Cervical Dystonia	12.420	W81XWH-17-1-0394	222,705	
Targeting Diet-Microbiome Interactions in thePathogenesis of Parkinson's Disease	12.420	W81XWH-17-1-0587	73,148	

(Continued)

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-Through Grantor's Number	Federal Expenditures	Subrecipients
Passed through University of California:				
Effects of traumatic brain injury and post traumatic stress disorder on Alzheimer's disease in Veterans using A	12.420	W81XWH-12-2-0012	51,514	
Passed through University of Melbourne:				
The Role of an Aggrecan 32mer Fragment in Post-Traumatic Osteoarthritis	12.420	W81XWH-16-1-0706	4,682	
Total U.S. Army Medical Research Acquisition Activity			553,891	-
U.S. Department of Education:				
Web-Based Assesment of Social-Emotional Learning in Grades Four to Six	84.305	R305A160053	323,881	26,743
VESIP: Virtual Environment for Social information processing assessment tool for Upper Elementary and Midd	84.305	R305A150189	351,504	28,942
Total Department of Education			675,386	55,685
TOTAL RESEARCH AND DEVELOPMENT			**75,008,882**	**11,393,924**
STUDENT FINANCIAL ASSISTANCE				
U.S. Department of Education:				
Stafford Loan	84.268	P268K5336	39,562,584	
Grad Plus	84.268	P268K5336	14,675,386	
Parent Loans for Undergraduate Students	84.268	P268K5336	42,489	
Perkins Loan	84.038	P038A031271	-	
Perkins Loan-outstanding loan bal. at measurement date	84.038		4,386,693	
Pell Grant Program	84.063	P063P125336	279,281	
Supplemental Educational Opportunity Grant	84.007	P007A121271	162,625	
Federal Work Study	84.033	P033A121271	382,189	
Total U.S. Dept of Education			59,491,247	-
U.S. Department of Health and Human Services:				
Loans for Disadvantaged Students-outstanding loan bal. at measurement date	93.342		1,206,081	
Nursing Student Loan-Undergraduate-outstanding loan bal. at measurement date	93.364		54,545	
Nursing Student Loan-Graduate-outstanding loan bal. at measurement date	93.364		470,218	
Primary Care Loan/HPSL-outstanding loan bal. at measurement date	93.342		1,641,862	
Nurse Faculty Loan Program-outstanding loan bal. at measurement date-ARRA	93.408		190,334	
Nurse Faculty Loan Program-outstanding loan bal. at measurement date	93.264		900,684	
Nursing Student Loan	93.364	E4 DHP19180	90,002	
Nurse Faculty Loan Program	93.264	E01 HP28838	131,287	
Total U.S. Department of Health and Human Services			4,685,013	-
TOTAL STUDENT FINANCIAL ASSISTANCE			**64,176,260**	**-**
OTHER FEDERAL ASSISTANCE				
Passed through Washington State Department of Social and Health Services:				
Bridge Model	93.048	9 ONWBC0004-01-00	5,249	
Passed through State of Illinois Department of Human Services:				
Opioid STR Program	93.788	43CXC03497	443,717	
Passed through City of Chicago-Department of Family and Support Services:				
City of Chicago Health Promotion Services	93.043	68760	44,826	
Health and Wellness Program	14.218	43922	6,289	
Health Promotion-Nutrition Program	93.043	72269	6,030	
Passed through City of Chicago-Chicago Department of Public Health:				
Expanded HIV Testing for Disproportionately affected populations	93.940	30597	60,000	
ASPR Hospital Preparedness Program Ebola Response Program	93.817	32949	10,022	
Passed through State of Illinois Department of Public Health:				
Family Planning Program	93.217	96180065G	79,588	
School Based Health Center	93.994	96380037G	160,320	
Regional Perinatal Network	93.994	86380007F	272,930	
TOTAL OTHER FEDERAL ASSISTANCE			**1,088,971**	-
TOTAL EXPENDITURES OF FEDERAL AWARDS			**140,274,113**	**11,393,924**

RUSH SYSTEM FOR HEALTH
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2019

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	93788111G	$71,752
Regional Perinatal Network	86380007F	142,212
School Based Health Center	96380037G	154,960
Family Planning	96180065G	49,472
Sickle Cell Program	93788304G	19,516
ELC and HAI	82680003F	52,520
Total Illinois Department of Public Health		**490,432**
PASSED THROUGH CITY OF CHICAGO - CHICAGO DEPARTMENT OF PUBLIC HEALTH:		
Community Breast Health Services	PO 57470	62,081
Total City of Chicago - Chicago Department of Public Health		**62,081**
PASSED THROUGH THE ILLINOIS DEPARTMENT OF HUMAN SERVICES:		
Early Intervention Services	FCSXO05147	2,876,299
Early Intervention Services	FCSXO00924	726,208
Total Illinois Department of Human Services		**3,602,507**
TOTAL EXPENDITURES OF STATE AWARDS		**4,155,020**
TOTAL EXPENDITURES FEDERAL AND STATE AWARDS		**144,429,133**

RUSH SYSTEM FOR HEALTH

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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 System for Health (the "System" or "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 Uniform Guidance, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award.*

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 Uniform Guidance in 2 CFR Part 200 wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Rush did not elect to utilize the de minimis indirect cost rate as allowed under Uniform Guidance.

3. LOANS WITH CONTINUING REQUIREMENTS

The outstanding balances as of June 30, 2019 for those loan programs for which the Federal Government imposes continuing compliance requirements are as follows:

Perkins Loan	$ 4,386,693
Loans for Disadvantaged Students	929,371
Nursing Student Loan-Undergraduate	33,015
Nursing Student Loan-Graduate	439,728
Primary Care Loan/HPSL	1,263,216
Nurse Faculty Loan Program- ARRA	149,814
Nurse Faculty Loan Program	892,011

4. NONCASH ASSISTANCE

Rush did not receive any noncash federal awards or in-kind contributions during fiscal year 2019. In addition, Rush did not have any federal insurance in effect during the year ended June 30, 2019, to specifically cover federal expenditures.

RUSH SYSTEM FOR HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Part I—Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unmodified Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 of OMB Uniform Guidance? _____ yes __X__ no

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
Various	Student Financial Aid

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

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

RUSH SYSTEM FOR HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2019

Part II—Financial Statement Findings

None noted.

Part III—Federal Award Findings and Questioned Costs

None noted.

RUSH SYSTEM FOR HEALTH

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2019

Part II—Financial Statement Findings

None noted.

Part III—Federal Award Findings and Questioned Costs

None noted.