Rush University Medical Center Obligated Group

Consolidated Financial Statements as of and
for the Years Ended June 30, 2012 and 2011,
and OMB Circular A-133 Supplementary Report
for the Year Ended June 30, 2012, and
Independent Auditors' Reports

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

TABLE OF CONTENTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Rush University Medical Center:

We have audited the accompanying consolidated balance sheets of Rush University Medical Center Obligated Group (including Rush University Medical Center and Rush- Copley Medical Center) (collectively, "Rush") as of June 30, 2012 and 2011, and the related consolidated statements of operations and changes in net assets and cash flows for the years then ended. These consolidated financial statements are the responsibility of Rush's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Rush's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the consolidated financial position of Rush University Medical Center Obligated Group as of June 30, 2012 and 2011, and the consolidated results of their operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 2 to the consolidated financial statements, Rush adopted the presentation and disclosure requirements of Accounting Standards Update No. 2011-07, *Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities,* and changed its presentation for the provision of bad debts.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2012, on our consideration of Rush's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

Deloitte & Touche LLP

October 25, 2012
(March 19, 2013 as to the sixth paragraph of the Report)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

	As of June 30, 2012	As of June 30, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 131,044	$ 154,649
Short-term investments	115,712	131,074
Accounts receivable for patient services - net of allowance for doubtful accounts of $60,855 and $47,705 as of June 30, 2012 and 2011, respectively	249,972	177,323
Other accounts receivable - net of reserves of $1,461 and $930 as of June 30, 2012 and 2011, respectively	51,765	55,813
Self-insurance trust - current portion	23,904	24,467
Other current assets	54,132	35,021
Total current assets	626,529	578,347
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments - less current portion	371,463	339,802
Limited as to use by donor or time restriction or other	444,808	488,254
Self-insurance trust - less current portion	97,255	101,123
Debt service reserve fund	48,888	49,287
Total assets limited as to use and investments	962,414	978,466
PROPERTY AND EQUIPMENT - net of accumulated depreciation of $1,062,105 and $971,673 as of June 30, 2012 and 2011, respectively	1,426,729	1,358,855
OTHER ASSETS	54,779	27,864
TOTAL ASSETS	$ 3,070,451	$ 2,943,532
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 103,633	$ 133,996
Accrued expenses	137,749	138,083
Student loan funds	20,394	21,210
Estimated third-party settlements payable	158,783	140,077
Current portion of accrued liability under self-insurance programs	38,959	30,141
Current portion of long-term debt	6,610	5,216
Total current liabilities	466,128	468,723
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance programs - less current portion	198,026	157,867
Postretirement and pension benefits	169,875	138,904
Long-term debt - less current portion, net	609,016	615,091
Obligations under capital lease and other financing arrangements	47,662	42,884
Other long-term liabilities	71,160	62,987
Total long-term liabilities	1,095,739	1,017,733
Total liabilities	1,561,867	1,486,456
NET ASSETS:		
Unrestricted	972,126	875,444
Temporarily restricted	294,338	347,143
Permanently restricted	242,120	234,489
Total net assets	1,508,584	1,457,076
TOTAL LIABILITIES AND NET ASSETS	$ 3,070,451	$ 2,943,532

See notes to consolidated financial statements.

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in thousands)

	For the Year Ended June 30, 2012	For the Year Ended June 30, 2011
REVENUE:		
Patient service revenue (net of contractual allowances and discounts)	$ 1,575,934	$ 1,512,649
Provision for uncollectible accounts	(65,119)	(64,765)
Net patient service revenue	1,510,815	1,447,884
University services:		
Tuition and educational grants	56,961	52,171
Research and other operations	107,487	106,754
Other revenue	71,397	69,525
Total revenue	1,746,660	1,676,334
EXPENSES:		
Salaries, wages, and employee benefits	910,025	882,156
Supplies, utilities, and other	501,880	477,866
Insurance	35,792	19,404
Purchased services	92,307	83,775
Depreciation and amortization	107,754	91,997
Interest	29,917	23,053
Total expenses	1,677,675	1,578,251
OPERATING INCOME	68,985	98,083
NONOPERATING INCOME (EXPENSE):		
Investment income and other	10,263	30,517
Unrestricted contributions	7,135	7,327
Fundraising expenses	(7,229)	(6,896)
Change in fair value of interest rate swaps	(10,756)	2,435
Loss on extinguishment of debt	(960)	-
Total nonoperating (expense) income	(1,547)	33,383
EXCESS OF REVENUE OVER EXPENSES	$ 67,438	$ 131,466

(Continued)

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(Dollars in thousands)

	For the Year Ended June 30, 2012	2011
UNRESTRICTED NET ASSETS		
Excess of revenue over expenses	$ 67,438	$ 131,466
(Funding) recovery of impaired endowment corpus	(233)	2,446
Net assets released from restrictions used for purchase of property and equipment	68,940	34,894
Postretirement-related changes other than net periodic postretirement cost	(43,619)	89,800
Other	4,156	-
INCREASE IN UNRESTRICTED NET ASSETS	96,682	258,606
RESTRICTED NET ASSETS		
TEMPORARILY RESTRICTED NET ASSETS:		
Pledges, contributions, and grants	45,908	52,714
Net assets released from restrictions	(100,521)	(65,468)
Net realized and unrealized gains on investments	1,808	58,808
(DECREASE) INCREASE IN TEMPORARILY RESTRICTED NET ASSETS	(52,805)	46,054
PERMANENTLY RESTRICTED NET ASSETS:		
Pledges and contributions	9,580	9,238
Change in unrealized (losses) gains impacting endowment corpus	(233)	2,555
Recovery (replenishment) of impaired endowment corpus	233	(2,555)
Investment (losses) gains on trustee-held investments	(1,949)	4,216
INCREASE IN PERMANENTLY RESTRICTED NET ASSETS	7,631	13,454
INCREASE IN NET ASSETS	51,508	318,114
NET ASSETS — Beginning of year	1,457,076	1,138,962
NET ASSETS — End of year	$ 1,508,584	$ 1,457,076

See notes to consolidated financial statements.

(Concluded)

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

	For the Year Ended June 30, 2012	2011
OPERATING ACTIVITIES:		
Increase in net assets	$ 51,508	$ 318,114
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	107,754	92,166
Postretirement-related changes other than net periodic postretirement cost	43,619	(89,800)
Provision for uncollectible accounts	65,119	64,765
Change in fair value of interest rate swaps	10,756	(2,435)
Net unrealized and realized losses (gains) on investments	2,921	(78,897)
Restricted contributions and investment income received	(66,559)	(38,366)
Investment losses (gains) on trustee-held investments	1,949	(4,216)
Loss on extinguishment of debt	960	-
Loss on disposal of equipment and other	4,609	-
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(137,768)	(77,595)
Accounts payable and accrued expenses	1,314	(1,080)
Estimated third-party settlements payable	18,706	(10,526)
Postretirement and pension benefits	(12,648)	(2,601)
Accrued liability under self-insurance program	48,977	(26,310)
Other changes in operating assets and liabilities	(27,755)	8,071
Net cash provided by operating activities	113,462	151,290
INVESTING ACTIVITIES:		
Additions to property and equipment	(203,237)	(276,752)
Purchase of investments	(929,717)	(792,521)
Sale of investments	934,694	875,704
Net cash used in investing activities	(198,260)	(193,569)
FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	71,085	41,445
Proceeds from issuance of short-term debt	-	8,629
Refunding of long-term debt	(56,000)	(8,556)
Proceeds from issuance of long-term debt	56,000	-
Payment of bond issuance costs	(380)	-
Payment of long-term debt	(5,215)	(9,097)
Payment of obligations under capital lease and other financing arrangements	(4,297)	(4,157)
Net cash provided by financing activities	61,193	28,264
NET DECREASE IN CASH AND CASH EQUIVALENTS	(23,605)	(14,015)
CASH AND CASH EQUIVALENTS — Beginning of year	154,649	168,664
CASH AND CASH EQUIVALENTS — End of year	$ 131,044	$ 154,649

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest — including capitalized interest of $13,443 and $21,636 for the years ended June 30, 2012 and 2011, respectively	$ 43,511	$ 44,173
Noncash additions to property and equipment	$ 10,002	$ 1,014

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF CONSOLIDATION

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

Rush University Medical Center

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

Rush University Hospital (RUH) — Consists of an acute care hospital and the Johnson R. Bowman Health Center for the Elderly, a rehabilitation and psychiatric facility, licensed in total for 731 beds. RUH also includes a faculty practice plan, Rush University Medical Group, which employed 415 physicians as of June 30, 2012.

Rush University — A health sciences university that educates students in health-related fields. This includes Rush Medical College, the College of Nursing, the College of Health Sciences, and the Graduate College. Rush University also includes a research operation with $134,096 and $137,974 in annual research expenditures during fiscal years 2012 and 2011, respectively.

Rush Oak Park Hospital (ROPH) — A 296-bed licensed acute care, rehabilitation, and skilled nursing hospital located in Oak Park, Illinois, eight miles west of RUH, which includes an employed medical group with 40 physicians as of June 30, 2012. RUMC, through a joint venture arrangement with a third party, is responsible for the operations and management of ROPH. As a result, RUMC controls and has an economic interest in ROPH. Substantially all assets, liabilities, and net assets, as well as all revenue and expenses, of ROPH are consolidated with the financial results of RUMC. All significant intercompany transactions have been eliminated in consolidation.

RUH and ROPH together own 50% of Rush Health, a network of providers whose members include the hospitals and approximately 770 physicians and 115 allied health providers who are on the medical staff of the member hospitals, with the other 50% owned by the physicians. The financial results of Rush Health are not consolidated with the financial results of RUMC and are accounted for using the equity method of accounting (see Note 18).

Rush Copley Medical Center

RCMC is the sole corporate member of Copley Memorial Hospital, Inc., a 210-bed licensed acute care hospital located in Aurora, Illinois, which includes an employed medical group of 47 physicians as of June 30, 2012.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

Basis of Consolidation

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

Use of Estimates

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

Cash and Cash Equivalents

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

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

Net patient service revenue is reported at the estimated net realizable amounts from third-party payors, patients, and others for services rendered. Rush has agreements with third-party payors that provide for payments at amounts different from established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, per diem payments, and discounted charges, including estimated retroactive settlements under payment agreements with third-party payors.

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

Patient accounts receivable are based on gross charges and stated at net realizable value. Accounts receivable are reduced by an allowance for contractual adjustments, based on expected payment rates from payors under current reimbursement methodologies, and also by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, Rush analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate appropriate allowance for doubtful accounts and provision for uncollectible accounts based upon management's assessment of historical and expected net collections considering business and economic conditions, trends in health care coverage, and other collection indicators. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for contractual adjustments and allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, Rush analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for uncollectible accounts (for example, for expected uncollectible deductibles and co-payments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely). For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and co-payment balances due for which third-party coverage exists for part of the bill), Rush records a significant provision for uncollectible accounts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible.

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

Rush's allowance for doubtful accounts for self-pay patients increased from 64% of self-pay accounts receivable at June 30, 2011, to 68% of self-pay accounts receivable as of June 30, 2012. The increase was the result of unfavorable trends experienced in the collection of amounts from self-pay patients in fiscal year 2012. In addition, Rush's self-pay write-offs totaled $52,293 and $57,710 for fiscal years 2012 and 2011, respectively. Rush does not maintain a material allowance for doubtful accounts from third-party payors, nor did it have significant write-offs from third-party payors.

Charity Care

It is an inherent part of Rush's mission to provide necessary medical care free of charge, or at a discount, to individuals without insurance or other means of paying for such care. As the amounts determined to qualify for charity care are not pursued for collection, they are not reported as net patient service revenue. Patients who would otherwise qualify for charity care but who do not provide adequate information would be characterized as bad debt and included in the provision for uncollectible accounts.

Inventory

Medical supplies, pharmaceuticals, and other inventories are stated at the lower of cost or market and are included in other current assets on 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, 2012 and 2011, because of their short-term maturity. The fair value of the other instruments is disclosed in Notes 6 and 9.

Assets Limited as to Use and Investments

Assets limited as to use consist primarily of investments limited as to use by donors, unconditional promises to contribute, assets held by trustees under debt or other agreements and for self-insurance, and board-designated assets set aside for a specified future use.

Investments in equity and debt securities with readily determinable fair values are measured at fair value using quoted market prices or model-driven valuations. Short-term investments having an original maturity greater than 90 days that are available for current operations are reported as current assets. Rush also held an interest in a collective business trust that invested primarily in international equity and equity-related securities. The trust was valued and priced daily, and liquidity was available on a daily basis. Rush sold its interest in the trust during fiscal year 2012.

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 are measured at fair market value based on Rush's interest in the net asset value (NAV) of the respective fund. The estimated valuations of hedge fund investments are subject to uncertainty and could differ had a ready market existed for these investments. Such differences could be material. Investments in private equity funds 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. Investments in hedge funds and private equity funds are generally not marketable and may be divested only at specified times. Real estate investments are carried at amortized cost. Rush's risk in alternative investments is limited to its capital investment and any future capital commitments (see Note 5).

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

Unconditional Promises to Contribute

Unconditional promises to contribute (pledges receivable) are recorded at the net present value of their estimated future cash flows. Estimated future cash flows due after one year are discounted using interest rates commensurate with the time value of money concept. Rush maintains an estimated allowance for uncollectible pledges based upon management's assessment of historical and expected net collections considering business and economic conditions and other collection indicators. Net unconditional promises to contribute are reported in assets limited as to use by donor or time restriction on the accompanying consolidated balance sheets and amounted to $38,695 and $60,912 as of June 30, 2012 and 2011, respectively (see Note 16).

Derivative Instruments

Derivative instruments, specifically interest rate swaps, are recorded in the consolidated balance sheets as either assets or liabilities at their respective fair values. The change in the fair value of derivative instruments is reflected in nonoperating income (expense) in the accompanying consolidated statements of operations and changes in net assets. Net cash settlements and payments, representing the realized changes in the fair value of the interest rate swaps, are included in interest expense in the accompanying consolidated statements of operations and changes in net assets and as operating cash flows in the accompanying consolidated statements of cash flows (see Note 10).

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair market value at the date of receipt. Expenditures that substantially increase the useful life of existing property and equipment are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation expense, including amortization of capital leased assets, is recognized over the estimated useful lives of the assets using the straight-line method.

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

Capitalized Interest

Interest expense from bond proceeds, net of interest income, incurred during the construction of major projects is capitalized during the construction period. Such capitalized interest is amortized over the depreciable life of the related assets on a straight-line basis. Interest expense of $13,443 and $21,636 was capitalized during the years ended June 30, 2012 and 2011, respectively.

Asset Impairment

Rush continually evaluates the recoverability of the carrying value of long-lived assets by reviewing long-lived assets for impairment. When circumstances indicate the remaining estimated useful life of long-lived assets may not be recoverable, Rush adjusts the carrying value of a long-lived asset to fair value if an estimate of the undiscounted cash flows over the remaining life is less than the carrying value of the asset. During the years ended June 30, 2012 and 2011, no such provision was deemed necessary.

Asset Retirement Obligations

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

Ownership Interests in Other Health-Related Entities

Rush has a majority ownership interest in a number of subsidiaries, which provide outpatient surgical and imaging services. An ownership interest of more than 50% in another health-related entity in which Rush has a controlling interest is consolidated. As of June 30, 2012 and 2011, non-controlling interests in consolidated subsidiaries amounted to $4,156 and $4,050, respectively. The amounts related to non-controlling interests are recorded in unrestricted net assets, and as the amounts are not material, they are not separately presented in the accompanying consolidated financial statements. Rush also has affiliations with and interests in other organizations that are not consolidated. These organizations primarily provide outpatient health care and managed care contracting services. An ownership interest in another health-related entity of at least 20%, but not more than 50%, in which Rush has the ability to exercise significant influence over the operating and financial decisions of the investee, is accounted for on the equity basis (see Note 18), and the income (loss) is reflected in other revenue. An ownership interest in a health-related entity of less than 20%, in which Rush does not have the ability to exercise significant influence over the operating and financial decisions of the investee, is carried at cost or estimated net realizable value, which is not material to the consolidated financial statements.

Deferred Financing Costs

Debt issuance costs, net of amortization computed on a straight-line basis over the life of the related debt, are reported within other assets on the accompanying consolidated balance sheets. The straight-line basis approximates the effective interest method, which is required under GAAP. Unamortized debt issuance costs amounted to $10,707 and $9,179 as of June 30, 2012 and 2011, respectively.

Other Long-term Liabilities

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

Net Assets

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

Contributions

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

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

Excess of Revenue over Expenses

The consolidated statements of operations and changes in net assets include excess of revenue over expenses as a performance indicator. Excess of revenue over expenses includes all changes in unrestricted net assets, except for permanent transfers of assets to and from affiliates for other than goods and services, contributions of (and assets released from donor restrictions related to) long-lived assets, and other items that are required by GAAP to be reported separately (such as extraordinary items, the effect of discontinued operations, postretirement-related changes other than net periodic postretirement costs, and the cumulative effect of changes in accounting principle).

Nonoperating Income (Expense)

Nonoperating income (expense) includes items not directly associated with patient care or other activities not relating to the core operations of Rush. Nonoperating income (expense) consists primarily of unrestricted investment returns on the endowment investment pool when appropriated for use, the difference between total investment return and amount allocated to operations for investments designated for self-insurance programs, investment income or loss (including interest, dividends, and realized and unrealized gains and losses) on all other investments unless restricted by donor or interpretation of law, changes in the fair value of interest rate swaps, losses on extinguishment of debt, net gains (losses) on sales, unrestricted contributions, losses on impaired assets, and fundraising expenses.

New Accounting Pronouncements

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

In August 2010, the FASB issued new guidance to reduce the diversity in practice regarding the measurement basis used in the disclosure of charity care. Specifically, this guidance requires that cost be used as the measurement basis for charity care disclosure purposes and that cost be identified as the direct and indirect costs of providing the charity care. Furthermore, this amendment requires the disclosure of the method used to identify or determine the costs. Rush adopted this guidance for the fiscal year ended June 30, 2012. The adoption of this guidance did not impact revenue recognition in the consolidated financial statements since Rush does not recognize revenue when charity care is provided.

Also in August 2010, the FASB issued new guidance related to the accounting by health care entities for medical malpractice claims and similar liabilities and their related anticipated insurance recoveries. Specifically, this amendment clarifies that a health care entity should not net insurance recoveries against a related claim liability. Additionally, the amount of the claim liability should be determined without consideration of insurance recoveries. Rush adopted this guidance for the fiscal year ended June 30, 2012. The adoption of this guidance resulted in an increase in insurance recovery receivable of $33,719, with an offsetting increase in accrued liability under self-insurance programs as of June 30, 2012. Rush elected not to apply the guidance retrospectively.

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, 2012, the date the consolidated financial statements were issued.

3. NET PATIENT SERVICE REVENUE

The mix of patient service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized during the years ended June 30, 2012 and 2011, by major payor source, was as follows:

	2012		2011	
Medicare	$ 407,449	26 %	$ 370,899	24 %
Medicaid	226,890	14	224,750	15
Blue Cross	456,565	29	435,028	29
Managed care	358,848	23	349,171	23
Commercial, self-pay and other	126,182	8	132,801	9
Total patient service revenue	$ 1,575,934	100 %	$ 1,512,649	100 %

Changes in estimates relating to prior periods increased net patient service revenue by $8,719 and $12,632 in fiscal years 2012 and 2011, respectively. Laws and regulations governing government and other payment programs are complex and subject to interpretation. As a result, there is a reasonable possibility that recorded estimated third-party settlements could change by a material amount.

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

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

4. CHARITY CARE

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

In December 2008, the Centers for Medicare and Medicaid Services approved the Illinois Hospital Assessment Program (the "Program") to improve Medicaid reimbursement for Illinois hospitals. This Program increased net patient service revenue in the form of additional Medicaid payments and increased supplies, utilities, and other expense through a tax assessment from the state of Illinois. The net benefit to Rush from the Program was $22,906 during each of the years ended June 30, 2012 and 2011. For each of the years ended June 30, 2012 and 2011, the Medicaid payment of $56,337 was included in net patient service revenue, representing 4% of the net patient service revenue, and the tax assessment of $33,431 was included in supplies, utilities, and other expenses. The Program is approved through June 30, 2014; however, the future of the Program is uncertain.

The following table presents the level of charity care provided for the years ended June 30, 2012 and 2011:

	2012	2011
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients — net of net benefit under the Program	$ 66,548	$ 58,721
Estimated costs and expenses incurred to provide charity care in the hospitals	35,423	24,178
Total	$ 101,971	$ 82,899

The total number of patients that were either provided charity care directly by Rush or that were covered by the Program represented 24% and 23% of Rush's total patients in fiscal years 2012 and 2011, respectively.

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

5. ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use and investments consist primarily of marketable equity and debt securities, which are held in investment pools to satisfy the investment objectives for which the assets are held or to satisfy donor restrictions. Rush also holds certain investments in alternative securities consisting of hedge funds, real estate investments, and private equity funds (see Note 2). Assets limited as to use by donor or time restriction also include unconditional promises to contribute (see Note 16).

Following is a summary of the composition of assets limited as to use and investments as of June 30, 2012 and 2011:

	2012	2011
Marketable securities and short-term investment funds	$ 96,103	$ 71,150
Fixed income securities, including commingled funds	552,569	589,150
Equity securities, including commingled funds	272,375	282,852
World asset allocation mutual funds	56,198	42,902
Hedge fund of funds	25,416	26,329
Private equity	31,797	29,702
Real estate	3,290	3,474
	1,037,748	1,045,559
Beneficial interest in trusts	25,587	27,536
Total assets limited as to use and investments — excluding pledges receivable	1,063,335	1,073,095
Net pledges receivable	38,695	60,912
Total assets limited as to use and investments	1,102,030	1,134,007
Less amount reported as current assets	(139,616)	(155,541)
Assets limited as to use and investments — noncurrent	$ 962,414	$ 978,466

The table above comprises all of Rush's investments, including those measured at fair value as well as certain alternative investments in private equity partnerships or real estate measured under the cost or equity method of accounting. The fair value of private equity investments, as estimated by management of the limited partnerships based on audited financial statements and other relevant factors, was $37,724 and $34,932 as of June 30, 2012 and 2011, respectively. Rush's private equity investments have diverse strategies, consisting of the following as of June 30, 2012 and 2011:

Private Equity Fund Allocations	2012	2011
Buyout and growth capital	23%	33%
Distressed debt and special situations	34	35
Diversified private equity fund of funds	24	18
Venture capital	16	12
Direct equity	2	2
Co-investment private equity	1	-
	100%	100%

Investments in private equity funds recorded on the equity basis amounted to $921 and $803 as of June 30, 2012 and 2011, respectively. As many factors are considered in arriving at the estimated fair value, Rush routinely monitors and assesses methodologies and assumptions used in valuing these partnerships. As of June 30, 2012 and 2011, commitments for additional contributions to private equity partnerships totaled $13,158 and $16,167, respectively.

It is Rush's intent to maintain a long-term investment portfolio to support its self-insurance program. Accordingly, the total return on investments restricted for the self-insurance program is reported in the consolidated statements of operations and changes in net assets in two income statement line items. The investment return allocated to operations, reported in other revenue, is determined by a formula designed to provide a consistent stream of investment earnings to support the self-insurance provision reported in insurance expense in the accompanying consolidated statements of operations and changes in net assets. This allocated return, 5% for the years ended June 30, 2012 and 2011, approximates the real return that Rush expects to earn on its investments over the long term and totaled $6,074 and $6,681 for years ended June 30, 2012 and 2011, respectively. The difference between the total investment return and the amount allocated to operations is reported in nonoperating income (expense) and totaled $810 and $8,381 for the years ended June 30, 2012 and 2011, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2012 and 2011, the total annual investment return was approximately 5.9% and 11.8%, respectively.

The composition and presentation of investment income and the realized and unrealized gains and losses on all investments for the years ended June 30, 2012 and 2011, are as follows:

	2012	2011
Interest and dividends	$ 22,140	$ 21,065
Net realized gains on sales of securities	12,378	26,713
Unrealized (losses) gains — unrestricted	(9,061)	14,561
Unrealized (losses) gains — restricted	(8,308)	41,853
	$ 17,149	$ 104,192
Reported as:		
Other operating revenue	$ 7,333	$ 8,147
Nonoperating income	10,190	30,466
Restricted net assets — net realized and unrealized (losses) gains on investments	(374)	65,579
	$ 17,149	$ 104,192

Rush reported gains and losses on its alternative investments as of June 30, 2012 and 2011, as follows:

	2012	2011
Reported as:		
Nonoperating income	$ 28	$ 83
Restricted net assets — net realized and unrealized gains on investments	2,349	6,858
	$ 2,377	$ 6,941

6. FAIR VALUE MEASUREMENTS

As of June 30, 2012 and 2011, Rush held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trusteed and other investments, derivative instruments, and beneficial interests in trusts. Certain alternative investments measured using either the cost or equity method of accounting are excluded from the fair value disclosure provided herein.

Valuation Principles

Under FASB guidance on fair value measurements, fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs generally reflect market data from independent sources and are supported by market activity, while unobservable inputs are generally unsupported by market activity. The three-level valuation hierarchy, which prioritizes the inputs used in measuring fair value of an asset or liability at the measurement date, includes:

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

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

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

Fair Value Measurements at the Consolidated Balance Sheet Date

The following tables present Rush's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2012 and 2011:

Fair Value Measurements as of June 30, 2012	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:				
Marketable securities and short-term investments	$ 1,549	$ 94,554	$ -	$ 96,103
Fixed income securities:				
U.S. government and agency securities	-	177,392	-	177,392
Corporate bonds	-	49,166	-	49,166
Fixed income mutual funds	621	156,230	-	156,851
Collateralized securities and other	78	160,059	-	160,137
U.S. equity securities	166,716	3,872	-	170,588
International equity securities	46,033	42,501	-	88,534
World asset allocation funds	33,775	16,121	6,302	56,198
Moderate allocation mutual funds {a}	20,240	-	-	20,240
Alternative investments:				
Hedge fund of funds	-	-	25,416	25,416
Accrued interest and other	-	2,036	-	2,036
Beneficial interest in trusts	-	-	25,587	25,587
Total assets at fair value	$ 269,012	$ 701,931	$ 57,305	$1,028,248
Liabilities:				
Obligations under interest rate swap agreements	$ -	$ 25,261	$ -	$ 25,261
Total liabilities at fair value	$ -	$ 25,261	$ -	$ 25,261

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

Fair Value Measurements as of June 30, 2011	**Level 1**	**Level 2**	**Level 3**	**Total Fair Value**
Assets:				
Marketable securities and short-term investments	$ 7,901	$ 63,249	$ -	$ 71,150
Fixed income securities:				
U.S. government securities	-	192,273	-	192,273
Corporate bonds	-	100,052	-	100,052
Fixed income mutual funds	25,152	73,664	-	98,816
Collateralized securities and other	106	180,145	-	180,251
U.S. equity securities	191,604	-	-	191,604
International equity securities	25,083	36,959	-	62,042
World asset allocation mutual funds	-	36,969	5,933	42,902
Moderate allocation mutual funds {a}	43,956	-	-	43,956
Alternative investments:				
Hedge fund of funds	-	-	26,329	26,329
Accrued interest and other	-	3,008	-	3,008
Beneficial interest in trusts	-	-	27,536	27,536
Total assets at fair value	$ 293,802	$ 686,319	$ 59,798	$1,039,919
Liabilities:				
Obligations under interest rate swap agreements	$ -	$ 14,505	$ -	$ 14,505
Total liabilities at fair value	$ -	$ 14,505	$ -	$ 14,505

{a} This class includes investments in mutual funds that allocate assets among equity and fixed income investments, and includes $14,750 (34%) in fixed income securities and $29,206 (66%) in equity securities at June 30, 2011.

Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

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

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

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

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

Collateralized Securities and Other – This class encompasses collateralized bond obligations, collateralized loan obligations, collateralized mortgage obligations, and any other asset-backed securities, including government asset-backed securities. This class also includes international government securities and agencies, municipal bonds, convertible equity, real estate funds, and some commercial paper. The fair value of collateralized and other obligations classified as Level 2 was determined using techniques consistent with the market and income approach, such as discounted cash flows and matrix pricing. Significant observable inputs include prepayment spreads, discount rates, reported trades, benchmark yield curves, volatility measures, and quotes. Significant unobservable inputs may be used, including bid or ask/offer quotes that are uncorroborated, which results in a Level 3 classification.

U.S. and International Equity Securities – The fair value of U.S. and foreign equity securities classified as Level 2 was primarily determined using the calculated NAV at the valuation date under a market approach. This includes investments in commingled funds that invest primarily in domestic and foreign equity securities whose underlying values are based on Level 1 inputs. The NAV is often corroborated through ongoing redemption or subscription activity. Certain common and preferred stocks held by Rush under this classification may not have available current market quotes and were primarily valued using techniques consistent with the market approach utilizing significant observable inputs, such as mid, bid, and ask or offer quotes.

World Asset Allocation Funds - This category includes investments in fund of funds that seek to provide both capital appreciation and income by investing primarily in both traditional and alternative asset funds. The asset allocation is driven by the fund manager's long-range forecasts of asset-class real returns. Investments representing the majority of the fair value in this category, which are invested in mutual funds, are priced as of the New York Stock Exchange (NYSE) close on each day the NYSE is open. Investments in this category classified as Level 2 are held in a commingled fund that invests primarily in global equity and bond mutual funds. The fair value of this commingled fund is based upon the calculated NAV at the valuation date under a market approach (Level 2 inputs). Investments in this category classified as Level 3, which are invested in a multi-strategy hedge fund, are priced on the last business day of each calendar month. The values for underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals (Level 3 inputs). The underlying investment strategies can include long-short, global macro, fixed income and currency hedges, and other tactical opportunity related strategies. Redemption proceeds for approximately 50% of these investments are daily. Redemption proceeds for the remaining 50% of these investments are monthly and require at least 14 business days' advance notice.

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

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

Obligations Under Interest Rate Swap Agreements – The fair value of Rush's obligations under interest rate swap agreements classified as Level 2 is valued using a market approach. The valuation is based on a determination of market expectations relating to the future cash flows associated with the swap contract using sophisticated modeling based on observable market-based inputs, such as interest rate curves. The fair value of the obligation reported in Rush's consolidated balance sheets includes an adjustment for the Obligated Group's credit risk, but may not be indicative of the value Rush would be required to pay upon early termination of the swap agreements.

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

Level 3 Rollforward

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

	Hedge Fund of Funds	Corporate Bonds	Asset-Backed Securities & Other	Beneficial Interest in Trusts	Total Assets at Fair Value
Fair value — June 30, 2010	$ 24,433	$ 369	$ 462	$ 23,320	$ 48,584
Actual return on investments —					
Realized and unrealized gains	1,948	15	89	4,216	6,268
Purchases	5,881	-	-	-	5,881
Sales	-	(384)	(551)	-	(935)
Fair value — June 30, 2011	32,262	-	-	27,536	59,798
Actual return on investments —					
Realized and unrealized losses	(538)	-	-	(1,949)	(2,487)
Purchases	453	-	-	-	453
Sales	(459)	-	-	-	(459)
Fair value — June 30, 2012	$ 31,718	$ -	$ -	$ 25,587	$ 57,305

For the year ended June 30, 2012, realized and unrealized losses pertaining to Level 3 investments include $9 reported within excess of revenue over expenses and $528 and $1,949 reported within temporarily and permanently restricted net assets, respectively. For the year ended June 30, 2011, realized and unrealized gains pertaining to Level 3 investments include $128 reported within excess of revenue over expenses and $1,924 and $4,216 reported within temporarily and permanently restricted net assets, respectively.

Investments in Entities that Report Fair Value Using NAV

Included within the fair value table above are investments in certain entities that report fair value using a calculated NAV or its equivalent, and are classified as Level 2 or Level 3 investments. The following table summarizes the attributes relating to the nature and risk of such investments as of June 30, 2012:

Entities that Report Fair Value Using NAV	Fair Value (In Thousands)	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Short-term collective funds (marketable securities and short-term investments)	$94,275	None	Daily	None
International equity commingled funds	42,501	None	Daily	1–7 days
World asset allocation commingled funds	22,423	None	Weekly/Monthly	1–14 days
Hedge fund of funds	25,416	None	Quarterly	65–95 days
Fixed-income mutual funds	156,230	None	Daily	1–7 days

7. ENDOWMENT FUNDS

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

Interpretation of Relevant Law

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

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.

The Investment Committee of the Board is responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long-term. The current asset allocation targets and ranges as well as the asset allocation as of June 30, 2012 and 2011, are as follows:

	Target Allocation and Range		Percentage of Endowment Assets	
Asset Class	**June 30, 2012**	**June 30, 2011**	**2012**	**2011**
Global equity	40%(+/-5%)	45%(+/-5%)	41 %	45 %
World asset allocation	10%(+/-5%)	10%(+/-5%)	10	10
Hedge funds	5%(+/-5%)	5%(+/-5%)	6	6
Private equity	10%(+/-5%)	10%(+/-5%)	9	8
Real estate	5%(+/-5%)	--	5	5
Fixed income	30%(+/-5%)	30%(+/-5%)	29	26

To achieve its long-term rate of return objectives, Rush relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The expected long-term rate of return target of the endowment given its current asset allocation structure is approximately 7.5%. Actual returns in any given year may vary from this amount. Rush has established market-related benchmarks to evaluate the endowment fund's performance on an ongoing basis.

The Finance Committee of the Board approves the annual spending policy for program support. In establishing the annual spending policy, Rush's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.0% for the fiscal years ended June 30, 2012 and 2011, and income from the endowment fund provided $16.0 million and $15.6 million of support for Rush's programs during the fiscal years ended June 30, 2012 and 2011, respectively. The spending rate for fiscal years 2011 was based on a three-year moving average of ending market values for pooled assets. Effective September 30, 2011, RUMC changed the spending policy to lengthen the smoothing period from a three-year moving average to a five-year moving average and also added an inflation component to provide more consistent spending growth.

Composition of Endowment Fund and Reconciliation

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

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 196,142	$ 241,586	$ 437,728
Board-designated endowment funds	4,427	-	534	4,961
Total funds	$ 4,427	$ 196,142	$ 242,120	$ 442,689

Changes in endowment net assets for the fiscal year ended June 30, 2012, consisted of the following:

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

The endowment net asset composition by type of fund as of June 30, 2011, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Donor-restricted endowment funds	$ -	$ 207,602	$ 233,955	$ 441,557
Board-designated endowment funds	4,715	-	534	5,249
Total funds	$ 4,715	$ 207,602	$ 234,489	$ 446,806

Changes in endowment net assets for the fiscal year ended June 30, 2011, consisted of the following:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Endowment net assets — beginning of year	$ 4,155	$ 162,286	$ 221,035	$ 387,476
Investment return:				
Investment (loss) income	(103)	6,518	108	6,523
Replenishment of endowment impairment	-	-	(2,555)	(2,555)
Net appreciation (realized and unrealized)	663	53,953	6,663	61,279
Total investment return	560	60,471	4,216	65,247
Contributions	-	-	9,238	9,238
Transfer of unrestricted endowment appreciation	-	(15,155)	-	(15,155)
Endowment net assets — end of year	$ 4,715	$ 207,602	$ 234,489	$ 446,806

Fund Deficiencies

Rush monitors the accumulated losses on permanently restricted investments to determine whether the endowment corpus has been impaired and restores these losses through unrestricted net assets as necessary. During the year ended June 30, 2012, funding of $233 was required to restore the endowment corpus balance. During the year ended June 30, 2011, $2,555 was recovered and replenished through unrestricted net assets representing accumulated losses on permanently restricted investments incurred during fiscal year 2010.

8. PROPERTY AND EQUIPMENT

Property and equipment as of June 30, 2012 and 2011, consisted of the following:

	2012	2011
Land and buildings	$ 1,897,009	$ 1,293,260
Equipment	570,370	490,050
Construction in progress	21,455	547,218
	2,488,834	2,330,528
Less accumulated depreciation	(1,062,105)	(971,673)
Property and equipment, net	$ 1,426,729	$ 1,358,855

Property and equipment, net, includes $72,493 and $64,546 in leased buildings and equipment as of June 30, 2012 and 2011, respectively. Accumulated depreciation on leased property and equipment amounted to $33,575 and $29,118 as of June 30, 2012 and 2011, respectively.

In January 2012, Rush placed its new hospital building, the Tower, into service and recognized a transfer of $611,632 out of construction in progress into buildings and equipment within property and equipment.

9. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

Rush's long-term debt is issued under a Master Trust Indenture, which established an Obligated Group comprised 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, 2012 and 2011, such issuances are secured by a pledge of gross receipts and a mortgage on primary health care facilities, as defined, of the Obligated Group members.

A summary of Rush's long-term debt as of June 30, 2012 and 2011, is as follows:

	Interest Rates	Final Maturity Date	Amount Outstanding at June 30, 2012	Amount Outstanding at June 30, 2011
Illinois Finance Authority Revenue Bonds:				
Fixed rate revenue bonds:				
Series 2009 C/D	6.2% to 6.625%	November 1, 2039	$ 200,000	$ 200,000
Series 2009 A/B	5.0% to 7.25%	November 1, 2038	211,620	211,620
Series 2006B	5.0% to 5.75%	November 1, 2028	96,750	96,750
Series 1998A	5.0% to 5.25%	November 1, 2024	-	60,550
Total fixed rate debt			508,370	568,920
Variable rate revenue bonds :				
Series 2008A	Average of 0.13% and 0.22% in FY2012 and FY2011, respectively.	November 1, 2045	50,000	50,000
Series 2011, Tax-Exempt Private Placement with a commercial bank	Average of 1.41% in FY2012	November 1, 2024	56,000	-
Total variable rate debt			106,000	50,000
Total tax-exempt debt			614,370	618,920
Mortgage loan, collateralized by fitness center	5.50%	May 2016	7,910	8,576
Total par value of debt			622,280	627,496
Less current portion of long-term debt			(6,610)	(5,216)
Net discount			(6,654)	(7,189)
Long-term debt			$ 609,016	$ 615,091
Estimated fair value based on quoted market prices and other relevant information			$ 689,902	$ 666,255

Under its various indebtedness agreements, the Obligated Group is subject to certain financial covenants, including maintaining a minimum historical debt service coverage and maximum annual debt service coverage ratios; maintaining minimum levels of days cash on hand; maintaining debt to capitalization at certain levels; limitations on selling, leasing, or otherwise disposing of Obligated Group property; and certain other nonfinancial covenants. The Obligated Group was in compliance with its debt covenants as of June 30, 2012 and 2011.

Annual maturities of outstanding long-term debt, adjusted to reflect the refinancing of the amounts borrowed on a taxable line of credit (described below), are as follows:

Years Ending June 30	
2013	$ 6,610
2014	12,065
2015	12,928
2016	11,993
2017	8,805
Thereafter	569,879
Total	$ 622,280

Letters of Credit Arrangements

The Obligated Group's variable rate revenue bonds are subject to remarketing provisions that require the Obligated Group to repurchase the bonds if they cannot be sold to a third party. The Obligated Group entered into letters of credit with commercial banks to provide funding for such repurchases, as necessary. Any amounts borrowed under these letters of credit are due and payable more than one year from the date of such borrowing. The letters of credit related to the Series 1989A variable rate revenue bonds and the Series 1985 C, D, and F pool loans expired during fiscal year 2011 when the final principal payment was made on each series. The letter of credit related to the Series 2008A Variable Rate Demand Bonds (the "Series 2008A Bonds") expires in February 2015. In the absence of such agreement, the Obligated Group would be required to replace it with a similar credit arrangement, convert the related debt from variable to fixed interest rate, or fund required repurchases from available funds. Draws are routinely made from the letter of credit to pay off principal and interest and are reimbursed to the commercial bank on the following business day. As of June 30, 2012 and 2011, there were outstanding draws against the letter of credit related to the Series 2008A Bonds representing interest paid to the bondholders on July 1, 2012 and 2011, of $7 and $6, respectively.

Recent Financing Activity

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

Lines of Credit Arrangements

The Obligated Group had a $50 million short-term line of credit with a bank as of June 30, 2012 and 2011, which matures on December 31, 2012. As of June 30, 2012 and 2011, the Obligated Group had no amounts outstanding on this line of credit.

The Obligated Group also had a $100 million short-term line of credit with a bank as of June 30, 2012 and 2011, which matures December 31, 2014. Any borrowings on this short-term line of credit are due and payable in 180 days. As of June 30, 2012 and 2011, the Obligated Group had no amounts outstanding on this line of credit.

10. DERIVATIVES

Derivatives Policy

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

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

Board approval is required to enter or modify any derivatives transaction. Management periodically reviews existing derivative positions as its risk tolerance and cost of capital changes over time.

Interest Rate Swap Agreements

The Obligated Group has two interest rate swap agreements (the "Swap Agreements"), which were designed to synthetically fix the interest payments on the Series 2006A bonds, which were later refinanced. Under the Swap Agreements, the Obligated Group makes fixed rate payments equal to 3.945% to the swap counterparties and receives variable rate payments equal to 68% of LIBOR (0.246% as of June 30, 2012, and 0.186% as of June 30, 2011) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2012 and 2011, the Swap Agreements had a notional amount of $96,750 outstanding ($48,375 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. 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, 2012, the Obligated Group had $3,570 in collateral posted under Swap Agreements.

The fair value of the Swap Agreements was as follows as of June 30, 2012 and 2011:

	Reported As	June 30 2012	June 30 2011
Obligations under swap agreements	Other long-term liabilities	$ (25,261)	$ (14,505)
Collateral posted under swap agreements	Other current assets	3,570	-
Obligations under swap agreements, net		$ (21,691)	$ (14,505)

The fair value of the Swap Agreements reported in Rush's balance sheets as of June 30, 2012 and 2011, 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, 2012 and 2011, were as follows:

	Reported As	Fiscal Year Ended June 30 2012	Fiscal Year Ended June 30 2011
Change in fair value of interest rate swaps	Nonoperating (expense) income	$ (10,756)	$ 2,435
Net cash payments on interest rate swaps	Interest expense	(3,654)	(3,648)

11. OBLIGATIONS UNDER CAPITAL LEASE AND DEFERRED FINANCING ARRANGEMENTS

Rush is party to certain capital lease and long-term financing arrangements relating to medical and office equipment and buildings. Expiration of leases ranges from 2013 to 2026. Annual interest expense under these lease agreements was $3,531 and $3,674 for the years ended June 30, 2012 and 2011, respectively. Assets acquired under capital lease and long-term financing arrangements are included in property and equipment, net on the accompanying consolidated balance sheets.

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

Years Ending June 30	
2013	$ 8,643
2014	8,026
2015	13,795
2016	6,679
2017	7,921
Thereafter	26,415
Total minimum payments	71,479
Less amount representing interest	(18,855)
Net present value of obligations under capital lease and other financing arrangements	52,624
Less current portions included in accounts payable	(4,962)
Long-term portion of obligations under capital lease and other financing arrangements	$ 47,662

12. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

Prior to January 1, 2012, Rush had two defined benefit pension plans, the Retirement Plan and the Pension Plan (collectively, the "Defined Benefit Pension Plans"), covering substantially all of its employees. Benefits are based on the years of service and the employee's final average earnings, as defined. Plan assets and obligations are measured as of June 30 (the "Measurement Date") each year.

Effective as of the close of business on December 31, 2011, the Pension Plan, representing certain union employees, was amended to freeze benefit accruals for all participants. No additional benefits will accrue, and no additional individuals will become plan participants in the Pension Plan as of January 1, 2012. Also effective December 31, 2011, the Pension Plan was merged into the Retirement Plan with all accrued benefits of the Pension Plan participants preserved as part of the merger. Effective January 1, 2012, the Retirement Plan was amended to include eligible union members previously covered by the Pension Plan.

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

Obligations and Funded Status

The table below sets forth the accumulated benefit obligation, the change in the projected benefit obligation, and the change in the plan assets of the Defined Benefit Pension Plan(s) and Postretirement Healthcare Plans (collectively, the "Plans"). The table also reflects the funded status of the Plans as of the Measurement Date and amounts recognized in Rush's consolidated balance sheets as of June 30, 2012 and 2011.

Obligations and Funded Status	Defined Benefit Pension Plan(s) 2012	Defined Benefit Pension Plan(s) 2011	Postretirement Healthcare Plans 2012	Postretirement Healthcare Plans 2011
Actuarial present value of benefit obligations — accumulated benefit obligation	$932,358	$796,003	$ 9,350	$ 8,730
Change in projected benefit obligations:				
Projected benefit obligation — beginning of measurement period	$797,320	$798,568		
Service costs	18,825	17,648		
Interest costs	42,980	42,732		
Plan amendments	-	(14,657)		
Actuarial losses (gains)	106,648	(18,599)		
Benefits paid	(31,999)	(28,372)		
Projected benefit obligation — end of measurement period	$933,774	$797,320		
Change in plan assets:				
Fair value of plan assets — beginning of measurement period	$666,327	$575,670	$ -	$ -
Actual return on plan assets	101,037	84,603		
Employer contributions	36,978	34,427	442	459
Plan participant contributions	-	-	575	560
Benefits paid	(31,999)	(28,372)	(1,017)	(1,019)
Fair value of plan assets — end of measurement period	$772,343	$666,328	$ -	$ -
Accrued benefit liability	$161,431	$130,992	$ 9,350	$ 8,730

The actuarial cost method used to compute the Defined Benefit Pension Plan(s) liabilities and expenses is the projected unit credit method.

The components of net periodic pension cost for the Plans were as follows:

Components of Net Periodic Pension Cost Year Ended June 30	Defined Benefit Pension Plans 2012	Defined Benefit Pension Plans 2011	Postretirement Healthcare Plans 2012	Postretirement Healthcare Plans 2011
Net periodic pension cost comprised the following:				
Service cost	$ 18,825	$ 17,648	$ 168	$ 159
Interest cost on projected benefit obligation	42,980	42,732	458	474
Expected return on plan assets	(51,282)	(47,408)	-	-
Amortization of prior service cost and other actuarial amounts	(2,265)	(165)	(294)	(294)
Recognized actuarial loss (gain)	16,994	20,390	(724)	(1,075)
Net periodic pension cost (credit)	$ 25,252	$ 33,197	$ (392)	$ (736)

In accordance with FASB guidance regarding accounting for defined benefit pension and other postretirement plans, all previously unrecognized actuarial losses and prior service costs are reflected in the consolidated balance sheets. The postretirement related charges other than net periodic benefit cost related to the pension and postretirement health care plans are included as a separate charge to unrestricted net assets and total $(43,619) and $89,800 for fiscal years 2012 and 2011, respectively. For fiscal year 2012, this amount includes actuarial losses arising during fiscal year 2012 of $(57,330) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2012 of $13,711. For fiscal year 2011, this amount includes actuarial gains arising during fiscal year 2011 of $56,286, unrecognized prior service cost of $14,657, and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2011 of $18,857.

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**	
	2012	**2011**	**2012**	**2011**
Accrued benefit liability — beginning of year	$130,992	$222,898	$ 8,730	$ 9,049
Fiscal year activity:				
Net periodic pension cost	25,252	33,197	(392)	(736)
Employer contributions	(36,978)	(34,427)	(442)	(459)
Unrecognized prior service cost	-	(14,657)	-	-
Postretirement-related changes other than net periodic postretirement cost:				
Actuarial loss (gain)	56,894	(55,794)	436	(492)
Reclassification adjustment for losses reflected in periodic expense	(14,729)	(20,225)	1,018	1,368
Accrued benefit liability — end of year	$161,431	$130,992	$ 9,350	$ 8,730
Recognized in the consolidated balance sheets as follows:				
Accrued expenses	$ -	$ -	$ 906	$ 818
Noncurrent liabilities	161,431	130,992	8,444	7,912
	$161,431	$130,992	$ 9,350	$ 8,730

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**	
	2012	**2011**	**2012**	**2011**
Discount rate — benefit obligation	4.60 %	5.50 %	4.60 %	5.50 %
Discount rate — pension expense	5.50	5.45	5.50	5.45
Rate of increase in compensation levels	5.38	5.38/4.89*	-	-
Expected long-term rate of return on plan assets	7.50	7.75	-	-
Health care cost trend rate (initial)	-	-	7.80	8.00

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

The discount rate used is based on a spot interest rate yield curve based on a broad group of corporate bonds rated AA or better as of the Measurement Date under either a bond modeling or cash flow matching approach. 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 year 2012, the discount rate was estimated under a bond model approach, which is based on a hypothetical bond portfolio whose cash flow from coupons and maturities match the year-by-year Plans' cash flows using bonds rated AA or better. For fiscal year 2011, the discount rate was estimated under a cash flow matching approach based on expected Projected Benefit Obligation cash flows, which are matched to the Mercer yield curve on the measurement date of each fiscal year. Had the Mercer yield curve continued to be used in fiscal year 2012, the discount rate would have been approximately 4% and the liability would have been higher by approximately by $75 million.

Rush's overall expected long-term rate of return on assets is 7.50% for 2012 and 7.75% for 2011. For the years ended June 30, 2012 and 2011, the actual rate of return on plan assets was 15.7% and 15.3%, respectively.

Plan Assets

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

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

The fair value of the Defined Benefit Pension Plan assets as of June 30, 2012 and 2011, is as follows:

	Level 1	Level 2	Level 3	Total Fair Value
Fair Value Measurements as of June 30, 2012				
Cash, cash equivalents, and short-term investments	$ 2,275	$ 19,624	$ -	$ 21,899
Fixed income securities:				
U.S. government securities and agencies	-	129,167	-	129,167
International government securities	-	16,941	-	16,941
Corporate bonds	-	258,943	-	258,943
Collateralized securities and other	-	48,181	-	48,181
U.S. equity securities	133,951	-	-	133,951
International equity securities	-	53,287	-	53,287
World asset allocation funds	39,333	28,651	11,202	79,186
Alternative investments:				
Private equity partnerships {a}	-	-	25,418	25,418
Accrued interest and other	1,125	4,178	67	5,370
Total plan assets	$ 176,684	$ 558,972	$ 36,687	$ 772,343
Fair Value Measurements as of June 30, 2011				
Cash, cash equivalents, and short-term investments	$ 3,675	$ 5,562	$ -	$ 9,237
Fixed income securities:				
U.S. government securities and agencies	-	127,183	-	127,183
International government securities	-	17,228	-	17,228
Corporate bonds	-	205,958	1,868	207,826
Collateralized securities and other	-	28,496	-	28,496
U.S. equity securities	129,192	-	-	129,192
International equity securities	16,389	48,716	-	65,105
World asset allocation funds	-	18,847	7,119	25,966
Alternative investments:				
Hedge fund of funds	-	-	28,434	28,434
Private equity partnerships	-	-	22,795	22,795
Accrued interest and other	1,060	3,795	11	4,866
Total plan assets	$ 150,316	$ 455,785	$ 60,227	$ 666,328

{a} This class includes investments in funds with diverse strategies, including approximately 28% in buyout and growth capital, 32% in diversified fund of funds, 16% in distressed debt and special situations, 22% in venture capital, and 2% in co-investment private equity funds.

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

Rollforward of Level 3 Investments	Corporate Bonds and Accrued Interest and Other	Hedge Fund of Funds	Private Equity Partnerships	Total Assets at Fair Value
Fair value at June 30, 2010	$ 479	$ 26,390	$ 21,106	$ 47,975
Actual return on plan assets:				
Realized and unrealized gains	182	2,106	648	2,936
Purchases	-	7,057	3,527	10,584
Sales	-	-	(248)	(248)
Settlements	-	-	(2,238)	(2,238)
Transfers in to Level 3	1,218	-	-	1,218
Fair value at June 30, 2011	1,879	35,553	22,795	60,227
Actual return on plan assets:				
Realized and unrealized gains (losses)	27	(6,359)	1,452	(4,880)
Purchases	69	3,971	3,520	7,560
Sales	(40)	(13,533)	-	(13,573)
Settlements	-	(8,430)	(2,349)	(10,779)
Transfers out of Level 3	(1,868)	-	-	(1,868)
Fair value at June 30, 2012	$ 67	$ 11,202	$ 25,418	$ 36,687

Cash Flows

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

	Defined Benefit Pension Plans	Postretirement Healthcare Plans
Expected contributions in 2013	$ 27,148	$ 906
Estimated Benefit Payments		
2013	$ 36,590	$ 906
2014	39,746	904
2015	44,233	887
2016	48,188	865
2017	51,185	850
2018 through 2022	303,868	3,726
Total	$ 523,810	$ 8,138

Other Postretirement Benefit Plans

Both RUMC and RCMC maintain a voluntary tax-deferred retirement savings plan. Under these defined contribution plans, employees may elect to contribute a percentage of their salary, which may be matched in accordance with the provisions of the plans. Other provisions of the plans may provide for employer contributions to the plans based on eligible earnings regardless of whether the employee elects to contribute to the plan. Maximum annual contributions are limited by federal regulations. Employer contributions to these Plans were $13,932 and $12,184 in the years ended June 30, 2012 and 2011, 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 $10,497 and $9,586 as of June 30, 2012 and 2011, respectively, and are included in investments – less current portion and other long-term liabilities on the accompanying consolidated balance sheets. The assets of the 457(b) Plan are subject to the claims of the general creditors of RUMC.

Rush also sponsors supplemental retirement plans for certain management employees (“Supplemental Plans”). The Supplemental Plans are noncontributory and annual benefits are credited to each participant’s account based on a percentage of qualifying compensation as defined by the provisions of the plan. Assets set aside to fund the Supplemental Plans amounted to $13,115 and $13,921 as of June 30, 2012 and 2011, respectively, and are included in investments – less current portion on the accompanying consolidated balance sheets. These supplemental retirement plans are currently funded at 87% of benefits accrued.

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

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

13. CONCENTRATION OF CREDIT RISK

Rush grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of net patient accounts receivable from patients and third-party payors as of June 30, 2012 and 2011, was as follows:

	2012	2011
Medicare	10 %	12 %
Medicaid	31	13
Managed care	46	59
Commercial	4	5
Self-pay	9	11
Total	100 %	100 %

Products sponsored by Blue Cross Blue Shield of Illinois, the largest health insurer in the market, accounted for 34.6% of managed care net patient accounts receivable and 16.1% of net patient accounts receivable of the Obligated Group for fiscal year ended June 30, 2012.

During the year ended June 30, 2012, Rush and other Illinois hospitals have experienced a significant delay in payment by the state of Illinois for amounts due under Medicaid and other state-funded programs, which has resulted in a substantial increase in Medicaid net patient accounts receivable from June 30, 2011 to June 30, 2012.

14. COMMITMENTS AND CONTINGENCIES

Professional Liability

Rush maintains insurance programs, including both self-insured and purchased insurance arrangements, for certain professional liability claims. Self-insured risks are retained in varying amounts according to policy year and entity. For the years ended June 30, 2012 and 2011, RUMC retained self-insured risk of $20,000 on the first case, $15,000 on the second case, and $10,000 on any additional cases. RUMC also maintains excess liability insurance coverage with combined limits of $80,000 per occurrence and in the aggregate. From October 1986 through December 2009, RCMC participated in a retrospectively rated pooled insurance program (Chicago Hospital Risk Pooling Program (CHRPP)) and retained self-insured risk to $1,000 per occurrence and $3,000 annual aggregate, with excess coverage limits of $10,000 per occurrence and $20,000 annual aggregate. Starting on January 1, 2010, RCMC maintains a self-insurance program for claims not covered under the CHRPP plan and retained self-insured risk of $2,000 per claim and $10,000 annual aggregate. Under the terms of the CHRPP arrangement, RCMC can be charged retrospective premiums if actuarially determined funding for the group insurance program in which it participates proves inadequate. RCMC also maintains excess liability insurance coverage with combined limits of $35,000 per claim and in the aggregate. Amounts above the specified self-insured limits are insured through purchased insurance policies. Insurance is purchased on a claims made basis. RUMC has an established trust fund, and RCMC has established a separate account to pay claims and related costs.

Rush has employed an independent actuary to estimate the ultimate costs of claim settlements. Self-insured liabilities are based on the actuarial estimate of losses using Rush's actual payout patterns and various other assumptions. Rush's self-insured liabilities of $236,985 and $188,008 as of June 30, 2012 and 2011, respectively, are recorded as noncurrent and current liabilities on 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 $29,920 and $32,608 higher than the amounts recorded on the consolidated balance sheets as of June 30, 2012 and 2011, respectively. The discount rates used in calculating the present value by organization was 4% for fiscal years ended June 30, 2012 and 2011.

During fiscal year 2011, actual experience on Rush's self-insured claims was better than projected and Rush experienced a significant reserve adjustment in its self-insurance liability of $29,297 in the year ended June 30, 2011, which reduced insurance expense. During fiscal year 2012, actual experience on Rush's self-insurance claims was as projected.

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

Obligations under Operating Leases

Rush is party to various noncancelable operating leases with third parties. Rental expense was approximately $20,423 and $18,668 for the years ended June 30, 2012 and 2011, 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, 2012, are as follows:

Years Ending June 30	
2013	$ 10,961
2014	7,529
2015	4,816
2016	3,517
2017	3,246
Thereafter	12,804
Total	$ 42,873

15. CAMPUS TRANSFORMATION COMMITMENTS

In fiscal year 2004, RUMC began a Campus Transformation project that currently includes the addition of new facilities, including a new hospital and the renovation of existing facilities. The project is driven by a redesign of patient care processes to improve efficiency and patient safety and to provide a more inviting environment to physicians, patients, and visitors. The project is estimated to cost approximately $1,139,000 to complete over a 13-year period (fiscal year 2004 to fiscal year 2016). As of June 30, 2012, $966,731 has been spent on the campus redevelopment plan, and construction commitments outstanding were $24,223.

16. PROMISES TO CONTRIBUTE

Included in assets limited by donor or time restriction are the following unconditional promises to contribute as of June 30, 2012 and 2011.

	2012	**2011**
Capital campaign	$ 39,956	$ 65,556
Restricted to future periods	1,887	1,887
Unconditional promises to contribute before unamortized discount and allowance for uncollectibles	41,843	67,443
Less unamortized discount	(1,878)	(4,808)
Less allowance for uncollectibles	(1,270)	(1,723)
Net unconditional promises to contribute	$ 38,695	$ 60,912
Amounts due in:		
Less than one year	$ 13,677	$ 27,241
One to five years	22,266	22,695
More than five years	5,900	17,507
Total unconditional promises to contribute	$ 41,843	$ 67,443

In addition, Rush has received conditional promises to contribute that are not recognized as assets in the consolidated balance sheet as of June 30, 2012. The total is not considered material to the consolidated financial statements as of June 30, 2012.

17. TEMPORARILY AND PERMANENTLY RESTRICTED NET ASSETS

Temporarily and permanently restricted net assets were available for the following purposes as of June 30, 2012 and 2011:

	2012	2011
Temporarily Restricted Net Assets:		
Construction and purchase of equipment	$ 11,516	$ 30,020
Health education	9,659	6,649
Research, charity, and other	230,835	266,420
Unappropriated endowment appreciation available for operations	42,328	44,054
Total temporarily restricted net assets	$ 294,338	$ 347,143
Permanently Restricted Net Assets, income from which is expendable to support:		
Health education	$ 148,614	$ 141,246
Research, charity, and other	56,556	55,590
Operations	36,950	37,653
Total permanently restricted net assets	$ 242,120	$ 234,489

During fiscal years 2012 and 2011, net assets were released from donor restrictions for purchasing property and equipment of $68,940 and $34,894, respectively, and incurring expenses of $31,581 and $30,574, respectively, both of which satisfied the restricted purposes of the donors. Net assets released from restriction used in operations are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

18. JOINT VENTURES AND OTHER AFFILIATIONS

Investments in unconsolidated joint ventures, accounted for on the equity method, totaled $4,595 and $4,875 as of June 30, 2012 and 2011, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures, reported in other revenue, was $217 and $747 during the years ended June 30, 2012 and 2011, respectively.

19. FUNCTIONAL EXPENSES

Expenses related to the patient care, education, and research services provided by Rush for the years ended June 30, 2012 and 2011, were as follows:

	2012	2011
Health care	$ 1,340,927	$ 1,241,937
University services, including research	191,822	193,474
General and administrative	111,495	109,409
Illinois Medicaid hospital assessment	33,431	33,431
Total	$ 1,677,675	$ 1,578,251

20. FICA TAX REFUND SETTLEMENT

RUMC has historically paid FICA tax on medical residents as if they were employees. In March 2010, the Internal Revenue Service (IRS) made an administrative determination that teaching hospitals and medical residents are exempt from paying FICA taxes under the student exception for time spent in a residency program between 1994 and April 1, 2005, when new IRS regulations imposing a specific FICA requirement for medical residents were put into place. Teaching hospitals and residents are eligible for a refund of FICA taxes paid, plus interest. As of June 30, 2010, Rush recorded a FICA tax receivable of $19,690, representing the recovered cost of FICA taxes previously paid and expensed, which is reported in other assets in the accompanying consolidated balance sheets as of June 30, 2012 and 2011. No amounts have been received related to the FICA refund during the years ended June 30, 2012 and 2011. The FICA refund was reported in salaries, wages, and employee benefits in the accompanying consolidated statements of operations and changes in net assets during fiscal year 2010. Rush has elected not to record any income related to the interest component of the FICA refund and will recognize the interest when received.

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SUPPLEMENTAL SCHEDULES

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

To the Board of Trustees of
Rush University Medical Center:

We have audited the consolidated financial statements of Rush University Medical Center Obligated Group (Rush) as of and for the year ended June 30, 2012, and have issued our report thereon dated October 25, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

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

Deloitte & Touche LLP

October 25, 2012

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

To the Board of Trustees of
Rush University Medical Center:

Compliance

We have audited Rush University Medical Center Obligated Group (Rush) compliance with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Rush's major federal programs for the year ended June 30, 2012. Rush's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Rush's management. Our responsibility is to express an opinion on Rush's compliance based on our audit.

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

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 each of its major federal programs for the year ended June 30, 2012.

Internal Control over Compliance

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

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

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

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

Deloitte & Touche LLP

March 19, 2013

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Research and Development Cluster			
U.S. Department of Health and Human Services:			
National Institute of Health	93.RD		$ 37,885,388
NIH-American Recovery Reinvestment Act (ARRA)	93.701		5,674,212
ARRA-Passed through the National Science Foundation:			
Effective Communication with robotic assitants for the elderly: Integrating Speech Vision and Haptics	47.082	IIS-0905239	117,779
ARRA-Passed through the National Science Foundation:			
Bioluminesence in Dinoflagellates triggered by voltage-gated Proton Channels	47.082	MCB-0943362	175,649
ARRA-Passed through the University of Iowa:			
GBV-C effects on CD4 activation and expansion	93.701	R01 AI058740	178,830
ARRA-Passed through Suny Research Foundation:			
Role of Soluble and Cellular Biomarkers in HIV Disease Progression in the WIHS	93.701	U01AI031834	364,661
ARRA-Passed through Social and Scientific Systems:			
Community Health Promotor Program	93.701	U01 AI068636	14,330
Combination Antiviral Focus Group	93.CRB	CRB-DCR01-S-09-00292	2,649
NIAID Influenza Research Collaboration	93.CRB	CRB-DCR01-S-09-00292	30,711
ARRA-Passed through the University of North Carolina:			
UNC Disabilities Research Center	93.701	P30 HD003110	17,930
ARRA-Passed through the University of California:			
Then Epilepsy/Genome Project	93.701	U01 NS053998	6,268
ARRA-Passed through the University of California:			
Alzheimer's Disease Neuroimaging Initiative Grand Opportunity	93.701	RC2 AG036535	74,333
ARRA-Passed through Brigham and Women's Hospital:			
Partial Meniscectomy vs Nonoperative Mgmt in Meniscual tear with OA: AN RCT	93.701	R01 AR05557	(5)
ARRA-Passed through the University of Washington:			
Genome wide association analysis of Alzheimer's Disease	93.701	RC2 AG036528	(703)
ARRA-Passed through the University of Pittsburgh:			
Racial differences in Atherosclerosis, Plague Vulnerability and CVD	93.701	R01 HL089292	3,308
ARRA-Passed through Govenors State University:			
Building Complex Language: Effect of Treatment and Dosage	93.701	R15 DC011165	82,743
ARRA-Passed through John Wayne Cancer Institute:			
Multicenter selective Lymphadenectomy Trial II	93.701	P01 CA029605	4
ARRA-Passed through University of Illinois at Chicago:			
Functional MR Imaging of Motor Control	93.701	R01 NS052318	8,146
ARRA-Passed through Hektoen Institute:			
Stabililty of the Genital Microbiota in HIV and HIV Women (Chicago WIHS)	93.701	U01 AI034993	134,438
Chicago consortium for the Women's Interagency HIV study	93.701	U01 AI03183417	35,451
Passed through the University of Rochester:			
A longitudinal Observational follow up of the Precept Study Cohort	93.853	5 U01 NS050095	10,760
Prospective Huntington at Risk Observation Study	93.172	5 R01 HG002449-05	18
Passed through the Mayo Clinic Rochester:			
Phase I/II study of Vorinostat Temozolomide and Radiation Therapy in patients with newly diagnosed Glioblastoma	93.395	U10 CA025224	407
Phase I/II study of Dasatinib/Bevacizumab in recurrent Gliolatoma	93.395	U10 CA025224	1,742
A Phase I/II Trial of Sorafenib and CCI-779 in Patients with Recurrent Glioblastoma	93.395	U10 CA025224	1,438

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Hektoen Institute:			
Chicago Initiative to raise Asthma Health Equity	93.838	U01 HL72496	$ 22,436
Center for Disease Control and Prevention	93.283	U54 CK000161	141,552
Exploratory studies fo Immune Activation and Inflammatory parameters and critical outcomes, WIHS pilot	93.855	U01 AI034993	21,250
Chicago WIH Consortim	93.855	U01 AI034993	9,838
Trust in Healthcare and Racial Disparities in an aging population	93.866	R01 AG033172	88,297
Women's Interagency HIV Study	93.856	AI34993	100,746
Women's Interagency HIV Study	93.856	AI34993	136,019
Women's Interagency HIV Study	93.856	AI34993	155,666
Passed through Columbia University:			
A Randomized Multicenter Clinical trial of Unruptured Brain Arteriovenous Malformations	93.853	U01 NS051483	842
Genetic Epidemiology of Parkinsons Disease	93.853	R01 NS36630	15,153
HIV and the Menopausal transition: Effects on Musculoskeletal Health	93.855	R01 AI095089	18,461
Epidemilogy of Familial late-onset Alzheimer's Disease	93.866	R01 AG041797	3,010
Passed through Mt. Sinai:			
Stoke and APL: Community based Clinicopathological study	93.837	R01 HL096944	244,349
Passed through Jaeb Center for Health Research:			
Comparison of time Domain oct and Spectral Domain Oct Retinal thickness measurement in Diabetic Macular Edema	93.847	U10 EY14231	7
Passed through Northwestern University:			
Development of Tissue Explant Models for Microbicide Evaluation	93.855	R33 AI076968	18,840
Synaptic Substrates of Age-Dependent memory deficits	93.866	R01 AG017139	241,575
HIV/AIDS Clinical Trials	93.855	U01 AI069471	777,841
Chicago Community acquired Pneumonia consortium	93.185	U18 IP000301	34,442
Chicagoland Metropolitan Asthma Net Consortium	93.837	U10 HL098096	(18,628)
Family Genetic study of Autism	93.173	R01 DC010191	6,864
Chicago Community acquired Pneumonia consortium	93.283	U18 IP000490	130,651
Vitamin D add-on therapy enhances Corticosteroid responsiveness in Asthma	93.837	U10 HL098096	4,750
Passed through Social and Scientific Systems, Inc.:			
AIDS Clinical Trials Group network	93.856	AI068636	335,921
A Pilot Study for Collection of Anit-Influenza A H1N1 Immune Plasma	93.856	CRB-DCR01-S-09-00292	84,236
AIDS Clinical Trials Group network	93.855	UM1 AI068636	231,827
AIDS Clinical Trials Group network	93.855	UM1 AI068636	27,885
AIDS Clinical Trials Group network	93.855	UM1 AI068636	300
AIDS Clinical Trials Group network	93.855	UM1 AI068636	8,345
Passed through Genetics of Inhibitor:			
Genetics of Inhibitor Development	93.839	HL61933	387
Passed through University of Illinois:			
The Audible Human Project	93.286	R01 EB012142	156,424
Training in Cellular Signaling in the Cardiovascular System	93.837	T32 HL007692	56,170
Motor Deficit-Experimental and Clinical Correlates	93.853	R01 NS028127	50,798
PKC Alpha as a Marker for Logical Therapeutic approaches to Breast Cancer	93.395	1 R01 CA122914	26,225
Intensive Nutrition on ARDS: A Clinical trial	93.837	R01 HL093142	109,799
MR Monitoring of Engineered Tissues	93.286	E5081	11,820
Local Food Environments and disparities in Ovarian Cancer Survival	93.307	P60 MD003424	780
Center for Population Health and Health Disparities	93.399	P50 CA106743	24,779
Weekly core seminars and interdisciplinary group activities as well as the placement, monitoring, oversight and paperwork for the clinical portion of the IL lend student trainee	93.11	T73 MC11047	140
Passed through the Montefiore Medical Center:			
Immunologic predictors of HPV Infection and the development of Cervical Neoplasis	93.855	U01 AI068636	8,215
Passed through ISIS Inc.:			
Improving Outcomes in Acute Rehabilitation for TBI	93.865	R01 HD050439	32,770
Passed through Westat Inc.:			
International and Domestic Pediatric and Maternal HIV studies Coordination Center	93.HHSN	HHSN267200800001C	665,044

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Yale University:			
The Insulin Resistance Intervention After Stroke Trial	93.853	U01 NS044876	$ (4,222)
Passed through Washington University			
Organization of the Lens Core Syncytium	93.867	R01 EY14232	413
Passed through Ohio State University:			
Cooperative Tissue Bank of HIV Malignancies	93.395	U01 CA66531	84,953
Individualized Planning for the first year following Acute Rehabilitation	84.133	H133AO80023	42,231
Passed through University of Texas-Houston:			
Parkinson's Disease Neuroprotection Clinical Trial: Statistical Center	93.853	U01 NS043127	56,776
Passed through Cornell University:			
Perinatal Choline Therapy in a Mouse Model of Down Syndrome and Alzheimer's Disease	93.865	R01 HD057564	111,398
Passed through Daya Drug Discoveries:			
Indolo Benzox and Thiaepines as atypical Antipsychotic agents	93.242	R43 MH084365	262
Passed through the American College of Obstetricians and Gynecologists:			
Tissue bank for the Gynecologic Oncology reviewer of slides	93.395	CA27469	2,910
NIAID (DHHS) Contract:			
VQA Contract	93.N01	NO1-AI-50044	3,605,985
NIH:			
Testing of Oxidiazole-Oxide Chemotype as a Therapeutic Drug for the Control of Schistosomiasis	93.HHSN	HHSN268201000220P	105,941
Passed through Medical University of South Carolina:			
Stenting vs Aggressive Medical Management for Preventing Recurrent events in Intracranial Stenosis	93.853	U01 NS058728	12,383
Passed through University of Miami:			
Mechanics of Stroke in Intracranial Stenosis	93.853	R01 NS069938	44,096
Passed through University of California:			
Solid Organ Transplantation in HIV	93.855	U01 AI052748	16,976
Fragile X Research Center	93.865	HD022274	50,294
The Epilepsy Phenome/Genome Project	93.853	R01 NS053998	78,943
Multi-Center Trial to Evaluate Home-based assessment Methods for Alzheimer's Disease Prevention Research in People over 75 years old	93.866	U01 AG10483	13,518
Develop improved methods which will lead to uniform standards for acquiring longitudinal multi site MRI and Pet data on patients with AD, MCI and normal control	93.866	U01 AG024904	65,733
Study of Woman's Health across the Nation IV: Chicago site	93.866	POB228-X84	27
Korean immigrants and Mammography-culture specific health intervention	93.393	R01 CA127650	9,885
CAMKII and Ins-P3 Mediated signaling in Cardiac Myoctyes	93.837	P01 HL080101	365,756
Alzheimer's Disease Neuroimaging initiative	93.866	AG24904	56,161
ADCS Infrastructure support	93.866	AG010483	46,668
A Randomized Double blind Controlled PHASE II Multicenter Trial of CTLA4G NEPHRITIS plus CYCLOPHOSPHAMIDE VS CYCLOPHOSPHAMIDE alone in treatment of LUPUS	93.000	NO1-AI-15416	32,746
Multi-Center Trial to Evaluate Home-Based assessment methods for Alzheimer's Disesae prevention research in people over 75 years old	93.868	U01 AG10483	690
Passed through Loyola University:			
Develop an Oral HIV Vaccine using Papilloma Virus-like Particles as a Vector	93.121	R01 DE019075	42,497
Passed through Harvard School of Public Health:			
Semiparametic methods for secondary outcomes in cases-control studies	93.113	R21 ES019712	13,558
Passed through Duke University Medical Center:			
Bridge: Bridging Anticoagulation in patients who require temporary interruption of Warfarin therapy for an elective invasive procedure or surgery	93.839	U01 HL087229	3,177
Catheter Ablation versus Antiarrhythmic drug therapy for Atrial Fibrillation trial	93.837	HL089786	118
Accelerating Adoption of Comparative Effectivness Research in Premature Infants	93.726	R18 AE000028	164,391

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through University of Washington:			
Alzheimer's Disease Data Coordination Center	93.866	5 U01 AG16976	$ 13,751
Mesothelin as Biomarker and Therapeutic target	93.394	R01 CA134487	53,175
Multicenter Career development program for Physical and Occupational Therapy	93.929	K12 HD055931	84,477
The role of Cerebral Hemodynamics in Moya Moya Disease	93.853	R01 NS051631	52
Two Preclinical Latent Scores to Predict Occurrence of DAT	93.866	R01 AG034119	37,117
National Alzheimer's Coordinating Center	93.866	U01 AG016976	24,621
Passed through University of Florida:			
Neurodevelopment Effects of Antiepileptic Drugs	93.853	R01 NS38455	5,887
Passed through Eastern Cooperative Oncology Group:			
ECOG	93.40	ECOG-00101102	7,316
Passed through Emory University:			
Clinical Studies of Dystonia and Related Disorders	93.853	U54 NS065701	174,997
Passed through Health Research and Educational Trust:			
Promoting Safety and Quality through Human Resources Practices	93.HHSA	HHSA290200600022	46,911
Passed through University of Pennsylvania:			
Alzheimer's Disease Genetics Consortium	93.866	U01 AG032984	18,838
Targeted Proteomics of resilient cognition in Aging	93.866	R01 AG039478	113,723
Passed through Radiation Therapy Group:			
Randomized trial of two doses and two high doses schedules for delivering Prophylactic cranial irradation for patients with limited disease small lung cancer	93.392	U10 CA21661	5,891
Passed through Albert Einstein College of Medicine:			
Imflammatory and Immune Mechanisms of Athersclerosis in HIV Infected Women	93.837	R01 HL095140	305,209
HPV and Cervis Neoplasia in a large long term HIV cohort research on maglignacies in the context of HIV/AIDS	93.393	R01 CA085178	57,405
Passed through John Hopkins:			
Multi Uveitis steroid treatment trial	93.867	U10 EY014660	73,705
ICH Removal: Minimally Invasive Surgery +RT-PA	93.853	NS046309	33,907
Clot Lysis: Evaluating accelerated resolution of Intraventricular Hemorrhage	93.853	U01 NS062851	135,970
Mitochondrial Dysfunction in Cardiac Hypertrophy and Failure	93.837	R01 HL101235	144,301
Passed through Brigham and Women's Hospital:			
Partial Meniscectomy vs Nonoperative Mgmt. in Meniscal Tear with OA: An RCT	93.846	R01 AR055557	41,219
Exploring the role of the brain transciptome in cognitive decline	93.866	R01 AG036836	76,341
Vitamin D and Omega-3 Trial (VITAL)	93.393	U01 CA138962	1,435
Passed through Tougaloo College:			
Lipidomic and DNA Microarray analyses of Peripheral blood in African-american adults with type II diabetes	93.307	P20 MD002725	64,874
Passed through Osmic Enterprises:			
Regulatory approval for the Olfact test battery	93.173	R44 DC006369	97,687
Passed through Massachusetts General Hospital:			
Evolutionary Lead Optimization for Immunology of Marburg Andebola Viruses	93.855	U01 AI070330	1,094
Creatine Safety, Tolerability and efficacy in Huntington's Disease	93.213	U01 AT000613	37,262
Passed through NSABT:			
A Phase II Clinical Trial Comparing Trastuzumab given concurrently with Radiation Therapy and Radiation Therapy alone for Women with HER-2 Positive Ductal Carcinoma in Situ Resected by Lumpectomy	93.B-43	B-43	317,221
Breast Cancer Prevention Trial	93.399	U10 CA37377	211
Passed through Case Western Reserve University:			
Basic and Comparative Studies of CCR5 Inhibition to Prevent HIV Transmission	93.855	U19 AI076981	50,239
Defining the Pathogenesis of Immune Deficiency in Chronic HIV Infection	93.855	P01 AI076174	93,535
Passed through University Health System:			
Domestic medical travel	11.112	UHC	63,652
Passed through Salk Institute:			
Stress and CRF Signaling in Alzheimer's Disease Pathogenesis	93.866	R01 AG032755	29,551
Passed through MCHC Chicago Hospital Council:			
CPDH Hospital Preparedness Program	93.889	18426	293

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through Great Lakes Hemophilia:			
Maternal Child Health Bureau	93.110B	5 H30 MC00032	$ 22,161
Center for Disease Control	93.283	CCU513116	24,986
Passed through University of Colorado:			
Exporatory study of different doses of endurance exercise in people with Parkinson's disease	93.853	R01 NS074343	474
Passed through University of New Mexico:			
Relationships between AD Clinicopathological changes and CNS sex steroid hormones	93.866	R21 AG030346	5,792
Passed through Great Lakes Neurotechnologies:			
Etsense: Adaptive portable essential trmor monitor phase II	93.879	R44 AG034708	16
Passed through Upstairs Solution:			
Using technology to deliver evidence-based interventions to Alzheimer caregivers	93.866	R42 AG032159	21,927
Passed through John Wayne Cancer Institute:			
A phase III Multicenter Randomized Trial of Sentinel Lympadenectomy and complete Lymph node dissection versus Sentinel Lymphadenectomy alone in cutaneous Melanoma Patients with molecular or Histopathological evidence of Metastases in the Sentinel node	93.395	P01 CA029605	1,139
Passed through University of Florida:			
Pharmacotherapy for Alcohol consumption in HIV infected women	93.273	U01 AA020797	6,659
Passed through University of Kentucky:			
Role of Impaired cognitive States and risk factors in conversion to mixed Dimentias	93.866	R01 AG038651	34,791
Passed through Soar Technology:			
Virtual environment for social information processing	84.133	H133S11048	56,770
Passed through Univeristy of Iowa:			
RNA Aptamers for Brain delivery	93.853	R01 NS063246	29,987
Passed through University of Pittsburgh:			
Study of Women's health across the nation-coordinating center	93.866	U01 AG012553	42,732
Passed through Univeristy of Michigan:			
Early and Mid-life social determinants of Racial disparities in late life health	93.866	AG032247	46,270
Passed through George Washington University:			
District of Columbia developmental center for Aids research	93.855	P30 AI087714	56,836
Passed through University of Cincinnati:			
Clinical Trials Network	93.279	U10 DA013732	35,979
Passed through Physiology Educational Research:			
Validating a pedagogy for conceptual learning: Application in internet delivered Physiology experiments	47.076	DUE-1043422-S1	22,488
Passed through Vanderbilt University:			
Predictors of Opioid Analgesic responses and common endogenous Opioid mechnisms	93.279	R01 DA031726	160,583
Passed thru LaJolla Institute:			
Anti-herpevirus signaling by cytokines	93.855	R01 AI48073	(23,645)
Passed through FHC Inc.:			
Instrument for Intracerebral microinjections and electrophysiology	93.879	R44 NS036869	129,497
Passed through Minneapolis Medical Research Foundation:			
Aspirin in reducing events in the elderly	93.866	U01 AG029824	269,855
Total U.S. Department of Health and Human Services			56,987,741
U.S. Army Medical Research Acquisition Activity:			
Battlefield-acquired immunogenicity to metals affects Orthopaedic implant outcome	12.420	W81XWH-10-2-0138	1,094
Yin and Yang of Heparanase in Breast Cancer initiation	12.420	W81XWH-11-1-0302	103,867
Early detection of ovarian cancer by molecular targeted ultrasound imaging together with serum markers of tumor associated nuclear change and angiogenesis	12.420	W81XWH-11-1-0510	78,926

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Geographic Utiliziation of Artificial Intelligence in real-time for disease identification and notification (Guardian)	12.420	W81XWH-11-1-0711	$ 343,337
RV144 Study to Measure Changes in Anti HIV-Innate Immune Responses over time among Vaccines who did not Develop HIV Infection	12.420	W81XWH-07-2-0067	26,973
Modulating WNT Signaling Pathway to Enhance Allograft Integration in Orthopaedic Trauma Treatment	12.420	W81XWH-10-1-1054	171,731
Detection of Ovarian Cancer by Contrast-Enhanced Ultrasound Targeted Imaging	12.420	W81XWH-10-1-0523	168,133
Laser Application on Orthopedic Bone Repair	12.420	W81XWH-10-1-0627	116,053
The Impact of Colonic Microbiota in Breast Cancer	12.420	W81XWH-08-1-0670	14,014
Lysosome Medicated Cell Death and Autophagy-Dependent Multidrug Resistance in Breast Cancer	12.420	W81XWH-07-1-0505	7,367
Classic Density Funtion of fluids: IONS at a Dielectric Interface	12.431	W911NF-09-1-0488	102,793
Guardian	12.420	W81XWH-09-1-0662	910,609
Geographic Utiliziation of Artificial Intelligence in real-time for disease identification and notification for Biological Threat agents	12.420	W81XWH-06-1-0785	130,959
Total U.S. Army Medical Research Acquisition Activity			2,175,856
Department of Education			
National Center for Education Research	84.05	R305 A110143	390,879
Total Department of Education			390,879
Department of Energy:			
Genetic and Environmental Risk Factors for PSP	81.049	DE-SC0002138	247,011
Total Department of Energy			247,011
TOTAL RESEARCH AND DEVELOPMENT CLUSTER			59,801,487
Student Financial Assistance Cluster:			
U.S. Department of Education:			
Stafford Loan	84.032		38,518,356
Stafford Grad Plus	84.032		8,703,999
Parent Loans for Undergraduate Students	84.032		46,317
Pell Grant Program	84.063	P063P105336	153,153
Supplemental Educational Opportunity Grant	84.007	P007A101271	92,795
Federal Work Study	84.033	P033A101271	515,787
Total U.S. Dept of Education			48,030,407
U.S. Department of Health and Human Services:			
Loans for Disadvantaged Students-oustanding loan bal. at measurement date	93.342		2,460,835
Nursing Student Loan-Undergraduate-outstanding loan bal. at measurement date	93.364		458,382
Nursing Student Loan-Graduate-outstanding loan bal. at measurement date	93.364		488,312
Primary Care Loan/HPSL-outstanding loan bal. at measurement date	93.108		1,500,282

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Perkins Loan-outstanding loan bal. at measurement date	93.038		$ 10,631,949
Nurse Faculty Loan Program-outstanding loan bal. at measurement date - ARRA	93.264		220,158
Nurse Faculty Loan Program-outstanding loan bal. at measurement date	93.264		269,115
Perkins Loan	93.038		969,408
Nursing Student Loan	93.364	E4DHP19180	45,000
Professional Nurse Traineeship	93.358	A10HP00230	74,729
Loans for Disadvantaged Students	93.342	E36HP14870	30,000
Scholarship for Disadvantaged Students	93.925	T08HP18808	48,418
Nurse Anesthetist Traineeship	93.124	A22HP21701	22,985
Nurse Faculty Loan Program	93.264	E01HP18923	269,115
Total U.S. Department of Health and Human Services			17,488,688
TOTAL STUDENT FINANCIAL ASSISTANCE CLUSTER			65,519,095
Other Federal Assistance:			
U.S. Department of Health and Human Services:			
Passed through City of Chicago:			
Chronic Disease Self-Mgmt Program	93.725	PO 22775	42,986
Passed through State of Illinois Department of Human Services:			
Early Intervention Services	84.181	11GQ01346	1,041,550
Family Planning Program	93.217	11GQ01662	78,716
Family Planning Program	93.667	11GQ01662	49,792
Family Planning Program	93.994	11GQ01662	2,680
Adolescent Health/Adolescent Health DFI	93.667	11GQ01686	273,740
Passed through State of Illinois Department of Public Health:			
IDPH-Asthma Surveillance Project	93.070	13283012	57,710
IDPH-Emergency Dept. Asthma Surveillance	93.070	23283200	24,147
Total Other Federal Assistance			1,571,321
TOTAL EXPENDITURES OF FEDERAL AWARDS			126,891,903

(Continued)

SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2012

Federal Grantor/Pass-through Grantor/program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures
Passed through the Illinois Department of Public Health:			
CDSMP/DSMP		2328010	$ 22,592
IEDASP		23283100	68,765
Diffusion Anisotropy Predicts Early Alzheimer's Path		23282007	8,845
Genetic Counseling/Clinical Services		23780246	61,348
Regional Perinatal Network		23789007	429,510
Sickle Cell Program		23780259	15,500
Total Illinois Department of Public Health			606,560
Passed through the Illinois Department of Human Services:			
Family Planning Program (Parents Too Soon)		10GQ01662	7,640
Adolescent Health Promotion		11GQ01686	40,525
Early Intervention Services		11GQ01346	1,976,744
Client/Family Support		10CM001607	
Total Illinois Department of Human Services			2,024,909
Passed through the Illinois Department of Commerce:			
Rush Modernization Program		10-203047	2,500,343
Total Illinois Department of Commerce			2,500,343
Passed through the Illinois National Guard:			
Training Program Development		W91SMC-09-C-0004	479,229
Training Program Development		W91SMC-07-R-0036	122
Total Illinois National Guard			479,351
TOTAL EXPENDITURES OF STATE AWARDS			5,611,163
TOTAL EXPENDITURES FEDERAL AND STATE AWARDS			$ 132,503,066

(Concluded)

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

1. BASIS OF PRESENTATION

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

2. SUBRECIPIENTS

For the year ended June 30, 2012, Rush provided $8,683,946 to subrecipients, as detailed in the table below. Such payments to subrecipients are included in federal expenditures presented in the accompanying Schedule.

Program Title	CFDA	Subrecipient	Amount Provided
National Institutes of Health	93.RD	Various	$5,759,939
National Institutes of Health — ARRA	93.701	Various	2,135,840
Virology Quality Assessment	93.856	New England Research Institute	364,995
		Frontier Science Foundation	139,241
		Research Triangle Institute	1,208
Westat Contract	93.HHSN	Hektoen Institute	118,785
Defining the Pathogenesis of Immune deficiency in Chronic HIV infection	93.855	Drexel University	4,393
ARRA — Bioluminescence in Dinoflagellates triggered by voltage-gated Proton Channels	47.082	Emory University	32,699
U.S. Army Medical Research Acquisition Activity	12.431	University of Chicago	26,791
Detection of Ovarian Cancer by Contrast-Enhanced Untrasound Targeted Imaging	12.42	University of Illinois	46,270
National Center for Education Research	84.305	University of Illinois	10,199
District of Columbia Development Center for Aids Research	93.855	Hektoen Institute	43,586
			$8,683,946

3. NONCASH ASSISTANCE

Rush did not receive any noncash federal awards or in-kind contributions during fiscal year 2012.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part I — Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

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

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

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

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Part II — Financial Statement Findings

None noted.

Part III — Federal Award Findings and Questioned Costs

None noted.

RUSH UNIVERSITY MEDICAL CENTER OBLIGATED GROUP

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

Part II — Financial Statement Findings

None noted.

Part III — Federal Award Findings and Questioned Costs

None noted.