Rush System for Health

Consolidated Financial Statements as of and for the
Years Ended June 30, 2020 and 2019,
Single Audit Supplementary Report as of and
for the Year Ended June 30, 2020, and
Independent Auditors’ Report

RUSH

RUSH SYSTEM FOR HEALTH

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INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Rush System for Health:

We have audited the accompanying consolidated financial statements of Rush System for Health and its subsidiaries (the "System"), which comprise the consolidated balance sheets as of June 30, 2020 and 2019, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rush System for Health and its subsidiaries as of June 30, 2020 and 2019, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 2 to the consolidated financial statements, the System has adopted Accounting Standards Update No. 2016-02, *Leases* (Topic 842), effective July 1, 2019. Our opinion is not modified with respect to this matter.

Other Matters

Other Information
Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying financial responsibility schedule, schedule of expenditures of federal awards as required by *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and schedule of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements, or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2020, on our consideration of Rush's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Rush's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Rush's internal control over financial reporting and compliance.

Deloitte & Touche LLP

October 28, 2020

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

	As of June 30, 2020	As of June 30, 2019
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 578,478	$ 118,939
Accounts receivable for patient services	348,019	393,045
Other accounts receivable	59,102	78,085
Self-insurance trust — current portion	30,629	30,629
Other current assets	105,047	94,880
Total current assets	1,121,275	715,578
ASSETS LIMITED AS TO USE AND INVESTMENTS:		
Investments — less current portion	1,241,061	1,181,345
Limited as to use by donor or time restriction or other	560,763	583,204
Self-insurance trust — less current portion	105,509	126,150
Total assets limited as to use and investments	1,907,333	1,890,699
PROPERTY AND EQUIPMENT — Net	1,611,645	1,552,941
OPERATING LEASE RIGHT-OF-USE-ASSETS	157,785	-
OTHER ASSETS	93,603	83,314
TOTAL ASSETS	$ 4,891,641	$ 4,242,532
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 77,663	$ 73,977
Accrued expenses	368,241	328,785
Estimated third-party settlements and advances payable	415,706	187,276
Current portion of accrued liability under self-insurance programs	44,135	42,474
Current portion of long-term debt	11,775	14,270
Short-term operating lease liability	26,342	-
Total current liabilities	943,862	646,782
LONG-TERM LIABILITIES:		
Accrued liability under self-insurance programs — less current portion	222,279	205,771
Postretirement and pension benefits	95,924	47,724
Long-term debt — less current portion	900,160	580,252
Line of credit	75,000	36,500
Obligations under financing leases and other financing arrangements	41,499	41,770
Long-term operating lease liabilities	133,120	-
Other long-term liabilities	89,841	118,988
Total long-term liabilities	1,557,823	1,031,005
Total liabilities	2,501,685	1,677,787
NET ASSETS:		
Without donor restrictions	1,568,626	1,727,068
With donor restrictions	821,330	837,677
Total net assets	2,389,956	2,564,745
TOTAL LIABILITIES AND NET ASSETS	$ 4,891,641	$ 4,242,532

See notes to the consolidated financial statements.

RUSH SYSTEM FOR HEALTH

CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS

(Dollars in thousands)

	For the Years Ended June 30, 2020	2019
REVENUE:		
Patient service revenue	$ 2,233,576	$ 2,315,770
Tuition and educational programs revenue	81,530	78,129
Research revenue and net assets released from restriction and used for research and other operations	164,949	135,302
Other revenue	176,538	82,063
Total revenue	2,656,593	2,611,264
EXPENSES:		
Salaries, wages and employee benefits	1,425,626	1,349,233
Supplies, utilities and other	810,953	787,850
Insurance	66,163	56,226
Purchased services	257,076	209,018
Depreciation and amortization	156,862	126,899
Interest and fees	28,437	24,165
Total expenses	2,745,117	2,553,391
OPERATING (LOSS) INCOME	(88,524)	57,873
NON-OPERATING (LOSS) INCOME:		
Investment income and other — net	15,917	57,413
Contributions without donor restriction	901	2,677
Fundraising expenses	(12,995)	(10,938)
Pension settlement expense	(40,445)	(23,235)
Debt rate lock settlement	(62,500)	-
Change in fair value of interest rate swaps	(3,896)	(3,182)
Loss on debt refunding	(75)	-
Total non-operating (loss) income	(103,093)	22,735
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES	$ (191,617)	$ 80,608

(Continued)

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

	For the Years Ended June 30, 2020	2019
NET ASSETS WITHOUT DONOR RESTRICTIONS		
(Deficit) excess of revenues over expenses	$ (191,617)	$ 80,608
Net assets released from restrictions used for the purchase of property and equipment	2,021	16,804
Postretirement-related changes other than net periodic postretirement cost	(12,794)	(22,270)
Cumulative effect change in accounting principle - Adoption of ASU No. 2016-02, *Leases*	34,532	-
Other	9,416	(1,382)
(Decrease)/Increase in net assets without donor restrictions	(158,442)	73,760
NET ASSETS WITH DONOR RESTRICTIONS		
Pledges, contributions and grants	162,349	95,867
Net assets released from restrictions	(162,045)	(61,499)
Net realized and unrealized (losses) gains on investments	(16,651)	26,308
(Decrease)/Increase in net assets with donor restrictions	(16,347)	60,676
(DECREASE)/INCREASE IN NET ASSETS	(174,789)	134,436
NET ASSETS — Beginning of period	2,564,745	2,430,309
NET ASSETS — End of period	$ 2,389,956	$ 2,564,745

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

RUSH SYSTEM FOR HEALTH
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	For the Years Ended June 30, 2020	2019
OPERATING ACTIVITIES:		
(Decrease) increase in net assets	$ (174,789)	$ 134,436
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	156,862	126,899
Cumulative effect of change in accounting principle	(34,532)	-
Non-cash operating lease expense	1,497	-
Postretirement related changes other than net period postretirement cost	12,794	22,270
Change in fair value of interest rate swaps	3,896	3,182
Net unrealized and realized gains on investments	13,983	(82,403)
Restricted contributions and investment income received	(24,593)	(57,840)
Investment losses (gains) on trustee held investments	54	(64)
Loss (gain) on sale of property and equipment	25,004	(1,595)
Changes in operating assets and liabilities:		
Accounts receivable for patient services	45,025	(78,273)
Accounts payable and accrued expenses	38,336	13,281
Estimated third-party settlements payable	228,431	7,169
Pension and postretirement costs	35,406	1,062
Accrued liability under self-insurance programs	18,169	36,302
Other changes in assets and liabilities	(19,698)	(36,767)
Net cash provided by operating activities	325,845	87,659
INVESTING ACTIVITIES:		
Additions to property and equipment	(220,640)	(187,500)
Acquisition of physician practices	(605)	(632)
Proceeds from sale of property and equipment	-	2,293
Purchase of investments	(4,165,767)	(2,937,968)
Sale of investments	4,135,096	2,945,975
Net cash used in investing activities	(251,916)	(177,832)
FINANCING ACTIVITIES:		
Proceeds from restricted contributions and investment income	24,593	57,840
Payment on line of credit	(36,500)	-
Proceeds from line of credit	75,000	-
Refunding of prior debt	(27,460)	-
Proceeds from debt issuance	366,500	-
Payment of long-term debt	(14,270)	(14,090)
Payment of obligations on finance lease liabilities	(2,524)	(3,939)
Proceeds from other financing arrangements	271	11,998
Net cash provided by financing activities	385,610	51,809
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	459,539	(38,364)
CASH AND CASH EQUIVALENTS — Beginning of period	118,939	157,303
CASH AND CASH EQUIVALENTS — End of period	$ 578,478	$ 118,939
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Right of use assets obtained in exchange for new operating lease liabilities	$ 3,556	$ -
Cash paid for interest	$ 30,574	$ 26,906
Net asset transfer of newly affiliated entity	$ 8,651	$ -
Noncash additions to property and equipment	$ 20,829	$ 21,228

See notes to consolidated financial statements.

1. ORGANIZATION AND BASIS OF CONSOLIDATION

Rush System for Health ("RUSH") is a multihospital system with operations that consist of several diverse activities with a shared mission of patient care, education, research, and community service. RUSH consists of an academic medical center, Rush University Medical Center ("RUMC"), two community hospitals, Rush Copley Medical Center ("RCMC") and Rush Oak Park Hospital (ROPH"), that each serve distinct markets in the Chicago, Illinois, metropolitan area and Rush Health, a physician hospital organization and clinically integrated network. RUMC, RCMC, and ROPH are all Illinois not-for-profit corporations exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Effective March 1, 2017, RUMC and RCMC reorganized their operations under a common corporate parent, Rush System for Health, d/b/a Rush University System for Health (the "System Parent"), an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code. The System Parent, RUMC, RCMC and certain of its subsidiaries, and ROPH comprise the RUSH Obligated Group (the "RUSH Obligated Group" or the "Obligated Group") pursuant to the Master Indenture, dated as of May 29, 2020, as amended and as entered into by each member of the Obligated Group. The members of the RUSH Obligated Group are jointly and severally liable for all debt issued under the Master Trust Indenture.

Rush University Medical Center

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

RUH—A 713-licensed bed acute care, rehabilitation, and psychiatric hospital in Chicago, Illinois. RUH also includes a faculty practice plan, Rush University Medical Group, which employed 758 physicians as of June 30, 2020.

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 $192,885 and $171,261 in annual research expenditures during fiscal years 2020 and 2019, respectively.

ROPH—A 201-licensed bed acute care, rehabilitation, and skilled nursing hospital located in Oak Park, Illinois, eight miles west of RUH. ROPH includes an employed medical group, Rush Oak Park Physicians Group (ROPPG), which employed 82 physicians as of June 30, 2020. RUMC is the sole corporate member of ROPH.

Rush Copley Medical Center

RCMC is the sole corporate member of Copley Memorial Hospital, Inc. ("CMH"), Rush Copley Medical Group NFP ("RCMG"), Copley Ventures, Inc. ("Ventures"), and Rush Copley Foundation, Inc. ("Foundation").

CMH—A 210-bed licensed acute care hospital located in Aurora, Illinois. CMH provides inpatient, outpatient, and emergency care services for residents of Aurora and surrounding communities in the far western suburbs of Chicago, Illinois.

RCMG—Established to own, operate, control, and otherwise coordinate the activities of physician practice health and medical services and to provide certain physician billing and administrative services. As of June 30, 2020, RCMG employed 96 physicians.

Ventures—Holds title to property for rental purposes and holds ownership of the Rush Copley Healthplex, a health and fitness center.

Foundation—Solicits contributions to support health care activities in the market area, including, but not limited to, those of the Hospital.

Rush Health

Rush Health is RUSH's physician hospital organization and clinically integrated network, which includes RUMC, ROPH, RCMC, and Riverside Health System in Kankakee. Rush Health has approximately 1,908 physicians and 584 allied health providers who are on the medical staff of the member hospitals. Effective August 12, 2019, the System Parent became the sole corporate member of Rush Health, an Illinois-not-for-profit taxable corporation that provides payor and employer contracting, data aggregation and analysis, care coordination, and quality and process improvement services to its members. Prior to this, Rush Health was treated as a joint venture and any income was recorded using the equity method of accounting. Rush Health and Riverside Health System are not members of the Obligated Group.

Rush Health's fiscal year-end is December 31st. For the twelve month period ended December 31, 2019, Rush Health had total operating revenue of $15,500, total expenses of $15,700, and net loss of $200.

COVID -19 Pandemic Update

The Novel Corona Virus 2019 ("COVID-19") pandemic has materially impacted the hospitals and operations that comprise the system for which RUSH serves, and has impacted the business and financial condition of the RUSH Obligated Group. On March 18, 2020, the Centers for Medicare & Medicaid Services formally recommended that health care providers delay all elective surgeries and non-essential medical, surgical, and dental procedures during the pandemic. Governor Pritzker's Executive Order no. 2020-19 then required a cancellation of all elective surgeries and non-emergency care through May 11, 2020. Beginning May 11, 2020, the Illinois Department of Public Health ("IDPH") provided updated guidelines that hospitals and Ambulatory Surgical Treatment Centers may begin to perform elective procedures. RUSH is following IDPH guidelines and has begun the process of performing such elective and non-emergency procedures. Management is monitoring developments with respect to the COVID-19 pandemic and intends to follow requirements from the Centers for Disease Control and other applicable federal, state and local regulatory agencies.

As of October 9, 2020, the Johns Hopkins University Corona Virus Resource Center Tracker reported the United States to have the largest number of confirmed cases at approximately 7.6 million. Of the United States Counties, Cook County, Illinois has the third largest number of confirmed cases at approximately 151,470. The unprecedented disruptions to RUSH's daily operations has caused a significant decline in revenues. RUSH and particularly, RUMC, responded early and aggressively to COVID-19, treating 20% of Cook County's COVID-19 patients. While RUSH has been provided some relief based on payments made to hospitals as a result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the payments received through June 30, 2020 of $85,100, recorded as other revenue within the consolidated statements of operations and changes in net assets, are not sufficient to cover all of its revenue losses and increased expenses. The additional expenses are the result of the establishment of its command center, additional equipment, and supplies to treat COVID-19 patients, as well as significant payroll increases in the form of supplemental pay to front line caregivers working in and in support of established COVID-19 units. RUSH also received advanced payments from Medicare of $231,700, which has been recorded within estimated third-party settlements and advances payable in the consolidated balance sheets. RUSH continues efforts to mitigate these issues as it works to increase elective surgical cases and manage non-COVID related expenses. In July 2020, RUSH received an additional CARES Act stimulus of $56,200. The stimulus funds are recorded in fiscal year 2021. As of mid-August, elective surgical cases have improved to a pre-COVID-19 baseline.

The pandemic significantly affected the bond and investment markets. As a result, the RUSH Obligated Group's planned bond offering was delayed for several weeks, but then was able to successfully access the corporate taxable market on April 9, 2020, and issued a $330,000, 10-year fixed rate bond. The bond proceeds support RUSH's future growth strategies. Additionally, RUSH successfully refinanced its $75,000 line of credit facility until December 31, 2022, and added a new $25,000 one-year line of credit facility. Other cash preservation initiatives include liquidating investments, implementing a temporary hiring freeze, and slowing down vendor and capital payments.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying consolidated financial statements have been presented in conformity with accounting principles generally accepted in the United States of America (GAAP).

Basis of Consolidation

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

The supplemental consolidating balance sheet and consolidating statement of operations and changes in net asset as of and for the year ended June 30, 2020, are presented for the purpose of additional analysis of RUSH's fiscal year 2020 consolidated financial statements taken as a whole.

Use of Estimates

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

New Accounting Pronouncements

Effective July 1, 2019, RUSH adopted the Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-02, *Leases*. The ASU requires lessees to recognize the right-of-use ("ROU") assets and liabilities that arise from most leases with terms greater than twelve months. The ASU also requires repayments of operating and financing leases to be classified as operating or financing activities, respectively, in the statement of cash flows as well as additional disclosures regarding leasing arrangements. RUSH adopted the ASU using a modified retrospective approach. RUSH elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification or initial direct costs for existing or expired leases prior to the effective date. On July 1, 2019, the adoption resulted in an increase of $158,000 in ROU assets and lease liabilities for operating leases as well as an increase to net assets without donor restrictions of $34,500 from a cumulative effect of change in accounting principle, which was related to the remaining deferred gain on sale of property from previous sale leaseback transactions.

Effective July 1, 2019, RUSH adopted ASU No. 2016-01, *Recognition and Measurement of Financial Assets and Financial Liabilities*. The ASU eliminates the requirement for not-for-profit organizations to disclose fair value information for financial instruments measured at amortized cost. The adoption did not have a material impact on the consolidated financial statements.

Effective July 1, 2019, RUSH adopted ASU No. 2016-15, Statement of Cash Flows (Topic 230): *Classification of Certain Cash Receipts and Cash Payments*, which amends guidance on the classification of certain cash receipts and payments within the statement of cash flows that were previously unclear or in which there were no specific guidelines. The adoption did not have a material impact on the consolidated financial statements.

Effective July 1, 2019, RUSH adopted ASU No. 2017-07, *Compensation—Retirement Benefits.* The ASU amends the disclosure requirements related to the income statement presentation of the components of net periodic benefit cost for sponsored defined benefit pension and other postretirement plans. The ASU requires entities to disaggregate the current service cost component from other components within the net benefit cost and present it with other current compensation costs on the income statement, as well as present the other components outside of income from operations. The ASU is required to be implemented retrospectively and resulted in pension settlement expense being recorded as a non-operating expense instead of being recorded within operations. The adoption did not have a material impact on the consolidated financial results.

Effective July 1, 2019, RUSH adopted ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. This guidance requires total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents to be included with cash and cash equivalents when reconciling the beginning of period and end of period total amounts shown on the consolidated statements of cash flows. The adoption did not have a material impact on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other* (Topic 350): *Simplifying the Test for Goodwill Impairment*. The ASU eliminates Step 2 from the goodwill impairment test. The annual, or interim, goodwill impairment test is performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge should be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value; however, the loss recognized should not exceed the total amount of goodwill allocated to that reporting unit. The ASU also eliminates the requirements for any reporting unit with a zero or negative carrying amount to perform a qualitative assessment and, if it fails that qualitative test, to perform Step 2 of the goodwill impairment test. RUSH will still have the option to perform the qualitative assessment for a reporting unit to determine if the quantitative impairment test is necessary. RUSH is beginning to assess the impact of the standard, which is required to be implemented in fiscal year 2022.

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

In August 2018, the FASB issued ASU No. 2018-14, Compensation-*Retirement Benefits-Defined Benefit Plans*. The ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The ASU allows entities to remove disclosures over accumulated comprehensive income and certain information about plan assets. The ASU also requires entities to add disclosures over reasons for significant gains and losses affecting the benefit obligation and any explanation for other significant changes in the benefit obligation or plan assets. RUSH is beginning to assess the impact of the standard, which is required to be implemented in fiscal year 2022.

Cash and Cash Equivalents

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

Patient Service Revenue and Patient Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which RUSH expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and governmental programs), and others, and includes variable consideration for retroactive revenue adjustments due to settlement of audits, review, and other investigations. Revenue is recognized as performance obligations are satisfied. Performance obligations are determined based on the nature of the services provided by RUSH. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected charges. RUSH believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients at RUSH receiving inpatient acute care services. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. In the case of these outpatient services, recognition of the obligation over time yields the same result as recognizing the obligation at a point in time. RUSH measures the performance obligation from inpatient admission, or the commencement of an outpatient service, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of the outpatient services. For performance obligations satisfied at a point in time, revenue is generally recognized when goods are provided to its patients and customers in a retail setting. In these instances, RUSH does not believe it is required to provide additional goods related to that patient. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period. Amounts related to health care services provided to patients which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. Contract asset balances consist primarily of health care services provided to patients who are still receiving inpatient care at RUSH at the end of the year. Such amounts totaled $20,025 and $18,189 at June 30, 2020 and 2019, respectively, and are included within other current assets in the accompanying consolidated balance sheets.

Consistent with RUSH's mission, care is provided to patients regardless of their ability to pay. RUSH provides care without charge or at amounts less than its established rates to patients meeting certain criteria under its charity care policy. Such amounts determined to qualify as charity care are not reported as revenue.

RUSH determines the transaction price based on standard charges for goods and services provided, reduced by explicit price concessions which consist of contractual adjustments provided to third-party payors and discounts provided to uninsured patients in accordance with RUSH's policy as well as implicit price concessions provided to patients. RUSH determines its estimates of contractual adjustments and discounts based on contractual agreements, published rates, its discount policies and historical experience. RUSH determines its estimate of implicit price concessions based on its historical collection experience. Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. RUSH determines its estimate of implicit price concessions for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. RUSH has determined it has provided implicit price concessions to uninsured patients and patients with other uninsured balances, such as copays and deductibles. The implicit price concessions included in estimating the transaction price represent the difference between amounts billed to patients and the amounts RUSH expects to collect based on its collection history with those patients. For the years ended June 30, 2020 and 2019, implicit price concessions totaled approximately $95,277 and $79,952, respectively.

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

Inventory

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

Fair Value of Financial Instruments

Financial instruments consist of cash and cash equivalents, investments, derivative instruments, accounts receivable, accounts payable, accrued expenses, estimated third-party settlements, and debt. The fair value of cash and cash equivalents, accounts receivable, accounts payable, accrued expenses, and estimated third-party settlements approximated their financial statement carrying amount as of June 30, 2020 and 2019, because of their short-term maturity.

Assets Limited as to Use and Investments

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

Alternative investments consist of limited partnerships that invest primarily in marketable securities (hedge funds), real estate, and limited partnerships that invest in nonmarketable securities (private equity). Investments in hedge funds and private equity funds are generally not marketable and may be divested only at specified times.

Investments in hedge funds are measured at fair market value based on RUSH’s interest in the net asset value (NAV) of the respective fund. The estimated valuations of hedge fund investments are subject to uncertainty and could differ had a ready market existed for these investments. Such differences could be material. Real estate investments are carried at amortized cost. Investments in private equity funds are measured at fair value based on the estimated fair values of the nonmarketable private equity partnerships in which it invests, which is equivalent to NAV, when RUSH’s ownership is minor (less than 5%). The estimated valuations of private equity partnerships are subject to uncertainty and could differ had a readily available market existed for these investments. Such differences could be material. Investments in private equity funds where RUSH’s ownership percentage is more than minor, but consolidation is not required (5% to 50%), are accounted for on the equity basis. These investments are periodically assessed for impairment. The financial statements of hedge funds and private equity funds are audited annually, generally on December 31. RUSH’s risk in alternative investments is limited to its capital investment and any future capital commitments.

Investments in private equity funds entered into during fiscal year 2012 or prior years were 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%) through fiscal year 2019. During fiscal year 2020, RUSH elected to change accounting estimate and recorded these investments at fair value based on the estimated fair values of the nonmarketable private equity partnerships in which it invests, which is equivalent to NAV. The change had an insignificant impact on the consolidated financial statements as a whole.

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

Derivative Instruments

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

Property and Equipment

Property and equipment are recorded at cost or, if donated, at fair value at the date of receipt. Expenditures that substantially increase the useful life of existing property and equipment are capitalized. Routine maintenance and repairs are expensed as incurred. Depreciation expense, including amortization of capital leased assets, is recognized over the estimated useful lives of the assets using the straight-line method. Buildings and building service equipment assets have an estimated useful life of 10 to 80 years, moveable equipment assets have an estimated useful life of 5 to 10 years, and computer software and hardware assets have an estimated useful life of 3 to 15 years.

Assets derived from finance leases are included in property and equipment with the related liability classified in either other current liabilities or other long-term liabilities in the consolidated balance sheets according to the expected timing of lease payments.

Operating Lease Right of Use Assets and Lease Liabilities

RUSH determines if an arrangement is a lease or contains a lease at inception through review of the underlying agreement and determination of whether an identifiable asset exists that RUSH has the right to control. Leases result in the recognition of ROU assets and lease liabilities in the consolidated balance sheets. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. RUSH determines lease classification as operating or finance at the lease commencement date.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. RUSH has made a policy election to use a risk-free rate using a period comparable with the lease term for the initial and subsequent measurement of all lease liabilities. RUSH has also elected a policy to combine lease and non-lease components.

The lease term will include options to extend or to terminate the lease only if RUSH is reasonably certain to exercise the option. Lease expense is generally recognized on a straight-line basis over the lease term.

RUSH has elected not to record leases with an initial term of twelve months or less in the consolidated balance sheets. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Asset Retirement Obligations

RUSH recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, RUSH capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle an asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statements of operations and changes in net assets. Asset retirement obligations are reported in other liabilities in the accompanying consolidated balance sheets and amounted to $23,383 and $22,263 as of June 30, 2020 and 2019, respectively.

Ownership Interests in Other Health-Related Entities

RUSH has a majority ownership interest in a number of subsidiaries, which provide outpatient surgical and imaging services. An ownership interest of more than 50% in another health-related entity in which RUSH has a controlling interest is consolidated. As of June 30, 2020 and 2019, noncontrolling interests in consolidated subsidiaries amounted to $5,403 and $7,953, respectively. The amounts related to noncontrolling interests are recorded in net assets without donor restrictions, and as the amounts are not material, they are not separately presented in the accompanying consolidated financial statements. RUSH also has affiliations with and interests in other organizations that are not consolidated. These organizations primarily provide outpatient health care and managed care contracting services. An ownership interest in another health-related entity of at least 20%, but not more than 50%, in which RUSH has the ability to exercise significant influence over the operating and financial decisions of the investee, is accounted for on the equity basis, and the income (loss) is reflected in other revenue. An ownership interest in a health-related entity of less than 20%, in which RUSH does not have the ability to exercise significant influence over the operating and financial decisions of the investee, is carried at cost or estimated net realizable value and reported within other assets, which is not material to the consolidated financial statements. Effective April 1, 2019, RUSH's ownership interest in the Rush Oak Brook Surgery Center joint venture was decreased from 50% to 25%. As a result the joint venture is no longer consolidated within the accompanying consolidated balance sheets and is recorded using the equity method.

Deferred Financing Costs

Debt issuance costs, net of amortization computed on the effective interest basis over the life of the related debt, are reported within long-term debt in the consolidated balance sheets. Unamortized debt issuance costs amounted to $6,875 and $3,827 as of June 30, 2020 and 2019, respectively.

Other Assets

Other assets include investments in joint ventures accounted for on the equity basis, unconditional promises to contribute, goodwill, insurance recoveries, and other intangible assets. RUSH continually evaluates the recoverability of the carrying value of long-lived assets, such as goodwill, by assessing assets for impairment. A goodwill impairment charge for $1,500 was recorded for RCMC's ambulatory surgery center during the year ended June 30, 2020, related to deteriorating operating results caused by the pandemic. No asset impairments were recorded during the year ended June 30, 2019.

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, liabilities for derivative instruments, and other long-term obligations.

Net Assets

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

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

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

Contributions

Unconditional contributions and promises to contribute cash and other assets (pledge receivable) are reported at fair value at the date the promise is received. Fair value is estimated as the net present value of the estimated future cash flows of such awards. Estimated future cash flows due after one year are discounted using interest rates commensurate with the time value of money concept. Net unconditional promises to contribute are reported in other assets in the accompanying consolidated balance sheets and amounted to $43,904 and $26,399 as of June 30, 2020 and 2019, respectively.

Conditional contributions are similarly reported at fair value when the conditions have been substantially met. Contributions are conditional when there are barriers that RUSH must overcome to be entitled to the funds. RUSH has received approximately $102,481 of conditional contributions whose conditions have not been substantially met as of June 30, 2020. Of this amount, approximately $85,966 relates to federal, state, and local grant awards where RUSH expects to meet the condition of incurring allowable expenditures under the various grants within the next twelve months. Another $16,292 is related to awards from foundations and other not-for-profit organizations where RUSH expects to recognize the contribution once the conditions have been met.

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

RUSH is the beneficiary of several split-interest agreements, primarily perpetual trusts held by others, which are recorded in assets limited as to use within the accompanying consolidated balance sheets. RUSH recognizes its interest in these trusts based on either RUSH’s percentage of the fair value of the trust assets or the present value of expected future cash flows to be received from the trusts, as appropriate, based on each trust arrangement.

(Deficit) Excess of Revenues over Expenses

The consolidated statements of operations and changes in net assets include (deficit) excess of revenues over expenses as a performance indicator. (Deficit) excess of revenues over expenses includes all changes in net assets without donor restrictions, net of investment related expenses, except for contributions of (and assets released from donor restrictions related to) long-lived assets, and other items that are required by GAAP to be reported separately (such as extraordinary items, the effect of discontinued operations, postretirement-related changes other than net periodic postretirement costs, and the cumulative effect of changes in accounting principle).

Non-Operating Income (Expense)

Non-operating income (expense) includes items not directly associated with patient care or other core operations of RUSH. Non-operating income (expense) consists primarily of investment returns without donor restrictions, endowment investment income appropriated for use, the difference between total investment return and amount allocated to operations for investments designated for self-insurance programs, investment income or loss (including interest, dividends, and realized and unrealized gains and losses), net of investment related expenses, on all other investments unless restricted by donor or interpretation of law, changes in the fair value of interest rate swaps, gains and losses on derivative contracts, pension settlement expenses, losses on extinguishment of debt, contributions without donor restrictions, and fundraising expenses.

Reclassifications in the Consolidated Financial Statements

Certain amounts in the prior period financial statements have been reclassified to conform to the presentation of the current period financial statements, and are intended to present information in a more useful format for the readers on a go-forward basis. The primary reclassifications in the prior period financial statements relate to pledges receivable of $26,399 from Assets Limited as to Use to Other Current Assets (current portion) and Other Assets (long-term portion) in the consolidated balance sheet. All reclassifications on the prior year financial statements are also reflected in the notes to the financial statements, as necessary. These reclassifications had no effect on the previously reported total assets, total net assets, excess revenues over expenses, or net cash provided by operating activities.

Consideration of Events Subsequent to the Consolidated Balance Sheet Date

RUSH has evaluated events occurring subsequent to the consolidated balance sheet date through October 28, 2020, the date the consolidated financial statements were issued. There were no significant subsequent events through this date, with the exception of the items below.

On July 20th, RUSH received $56,200 from the U.S. Department of Health and Human Services (HHS) in the second round of high impact funding related to the CARES Act. The cash and revenue were recorded when received in July 2020, which is when the revenue recognition criteria were met. On September 19, 2020 and October 22, 2020, HHS updated their guidelines for reporting CARES Act monies received from HHS, including the basis for which they can be recognized. The changes to the guidelines do not result in a material impact to the revenue recognized from these monies as of June 30, 2020 or the amount of revenue recognized subsequent to year end.

The COVID-19 pandemic has materially impacted the hospitals and operations that comprise the system for which RUSH serves, and has impacted the business and financial condition of the RUSH Obligated Group. Future regulations and economic impact of the COVID-19 pandemic are unknown and could have a material adverse impact on the results and operations of RUSH.

On September 24, 2020, RUSH entered into a joint venture with Select Medical (Select), a post-acute care provider that employs more than 50,000 health care professionals across the United States. Beginning December 1, 2020, RUSH’s outpatient rehabilitation location on the RUMC campus will join Select’s 62 existing outpatient rehabilitation locations throughout Chicago and northwest Indiana.

On September 30, 2020, the U.S. Senate passed the Continuing Appropriations Act, 2021 and Other Extensions which among other things, revised the Medicare Accelerated and Advance Payment Program repayment terms. Under the original regulations the advances were all due within one year of receipt and therefore all included as a current liability in estimated third-party settlements and advances payable in the accompanying consolidated balance sheet. Under the new regulations approximately $14,000 would remain classified as current liabilities and the remaining $217,700 would be reclassified to a long- term in the accompanying consolidated balance sheet.

On October 9, 2020, RUSH paid off its $75,000 line of credit that was due on December 31, 2022.

3. PATIENT SERVICE REVENUE

The mix of patient service revenue, recognized during the years ended June 30, 2020 and 2019, by major payor source and by lines of business, was as follows:

	June 30, 2020						
	RUH	ROPH	RCMC	Physician Groups	Clinical Joint Ventures & Other	Total	
Medicare	$ 319,399	$ 33,148	$ 69,057	$ 49,081	$ 12,226	$ 482,911	21.6%
Medicare Managed Care	57,201	6,726	23,651	8,488	-	96,066	4.3
Medicaid	45,813	1,391	9,755	4,131	2,199	63,289	2.8
Medicaid Managed Care	159,105	10,490	35,395	32,356	19,618	256,964	11.5
Managed Care	484,678	36,597	99,584	54,631	7,065	682,555	30.6
Blue Cross	217,509	22,450	71,965	64,798	13,999	390,721	17.5
Commercial, Self-Pay, and Other	183,716	21,973	15,600	26,498	13,283	261,070	11.7
Revenue	$ 1,467,421	$ 132,775	$ 325,007	$ 239,983	$ 68,390	$ 2,233,576	100.0 %

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

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

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

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

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

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

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

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

4. CHARITY CARE

RUSH has an established charity care policy and maintains records to identify and monitor the level of charity care it provides.

RUMC provides free care to all patients whose family income is 300% of the federal poverty level or less, and an additional discount is available to all patients with family income up to 400% of the federal poverty level. All uninsured patients receive a tiered discount regardless of their ability to pay. These discounts apply to patients with family income ranging from 301% to 1,000% of the federal poverty level, with discounts ranging from 33% to 68%. In addition, any uninsured patient with family income over 1,000% of the federal poverty level would still receive a 33% discount.

RCMC provides free care to all patients who apply and support income and asset levels of less than 300% of the current-year federal poverty level, a 30% discount to all uninsured patients regardless of ability to pay, and discounts balances to patients under 600% of the poverty level. Interest-free payment plans are also provided. Charity care includes the estimated cost of unreimbursed services provided and supplies furnished under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The estimated cost of charity care provided is determined using a ratio of cost to gross charges and multiplying that ratio by the gross unreimbursed charges associated with providing care to charity patients.

In December 2008, the Centers for Medicare and Medicaid Services approved the Illinois Hospital Assessment Program (the “Program”) to improve Medicaid reimbursement for Illinois hospitals. This Program increased net patient service revenue in the form of additional Medicaid payments and increased supplies, utilities, and other expense through a tax assessment from the State of Illinois. In fiscal year 2014, the State of Illinois approved a new enhanced assessment program providing additional funding to RUSH. The net benefit to RUSH from the Program was $43,162 and $42,267 during the years ended June 30, 2020 and 2019, respectively. For the years ended June 30, 2020 and 2019, the Medicaid payment of $106,576 and $105,985 was included in patient service revenue, representing 5% of the patient service revenue for fiscal years 2020 and 2019, respectively, and the tax assessment of $63,414 and $63,718, respectively, was included in supplies, utilities, and other expenses within the consolidated statements of operations and changes in net assets. The State of the Illinois and the Centers for Medicare and Medicaid Services (CMS) have approved a redesign of the Hospital Assessment program effective July 1, 2018. The redesign did not have a material impact on the RUSH.

The following table presents the level of charity care and Medicaid provided for the years ended June 30, 2020 and 2019:

	2020	2019
Excess of allocated cost over reimbursement for services provided to hospital Medicaid patients—net of net benefit under the Program	$ 163,821	$ 141,528
Estimated costs and expenses incurred to provide charity care in the hospitals	32,024	26,968
Total	$ 195,845	$ 168,496

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

5. ASSETS LIMITED AS TO USE AND INVESTMENTS

Assets limited as to use and investments consist primarily of marketable equity and debt securities, which are held in investment pools to satisfy the investment objectives for which the assets are held or to satisfy donor restrictions. RUSH also holds certain investments in alternative investments consisting of hedge funds, real estate investments, private equity funds, and private debt.

Following is a summary of the composition of assets limited as to use and investments as of June 30, 2020 and 2019:

	2020	2019
Marketable securities and short-term investments	$ 57,663	$ 15,108
Fixed income securities	518,924	505,350
Public equity securities	206,368	235,884
Fund investments (mutual/commingled)	920,591	943,835
Alternative investments	199,758	230,777
Other	4,973	(39,365)
Total investments	1,908,277	1,891,589
Beneficial interest in trusts	29,685	29,739
Total assets limited as to use and investments	1,937,962	1,921,328
Less amount reported as current assets	(30,629)	(30,629)
Assets limited as to use and investments—noncurrent	$ 1,907,333	$ 1,890,699

As of June 30, 2020 and 2019, RUSH has commitments to additional alternative investments totaling $94,429 and $122,481, 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 three separate 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, 4.5% and 4.0% for the years ended June 30, 2020 and 2019, approximates the real return that RUSH expects to earn on its investments over the long term and totaled $6,718 and $5,731 for the years ended June 30, 2020 and 2019, respectively. The difference between the total investment return and the amount allocated to operations is reported in nonoperating (loss) income and totaled ($4,206) and $2,476 for the years ended June 30, 2020 and 2019, respectively. There is no guarantee that the investment return expected by management will be realized. For the years ended June 30, 2020 and 2019, the total annual investment return was approximately 1.5% and 5.7%, respectively.

The composition and presentation of investment income and the realized and unrealized gains and losses on all investments, net of investment related expenses, for the years ended June 30, 2020 and 2019, are as follows:

	2020	2019
Interest and dividends	$ 42,884	$ 36,759
Net realized gains on sales of securities	62,147	23,016
Unrealized (losses) gains — without donor restrictions	(61,267)	30,885
Unrealized (losses) — with donor restrictions	(38,268)	(1,979)
	$ 5,496	$ 88,681
Reported as:		
Other operating revenue	$ 6,230	$ 6,044
Nonoperating income	15,917	56,329
Net assets with donor restrictions — net realized and unrealized (losses) gains on investments	(16,651)	26,308
	$ 5,496	$ 88,681

6. FAIR VALUE MEASUREMENTS

As of June 30, 2020 and 2019, 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.

Valuation Principles

Under FASB Accounting Standard Codification 820, *Fair Value Measurement*, fair value is defined as an exit price, representing the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The valuation techniques used to measure fair value are based upon observable and unobservable inputs. Observable inputs generally reflect market data from independent sources and are supported by market activity, while unobservable inputs are generally unsupported by market activity. The three-level valuation hierarchy, which prioritizes the inputs used in measuring fair value of an asset or liability at the measurement date, includes:

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

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

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

Fair Value Measurements at the Consolidated Balance Sheet Date

The following tables present RUSH's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2020 and 2019:

Fair Value Measurements as of June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Valued @ NAV**	**Total Fair Value**
Marketable securities and short-term investments	$ 32,518	$ 5,026	$ -	$ 20,119	$ 57,663
Fixed Income Securities:					
U.S. Government and Agency securities	-	160,114	-	-	160,114
Corporate Bonds	-	302,372	-	-	302,372
Asset Backed Securities and Other	-	56,438	-	-	56,438
Public Equity Securities	206,368	-	-	-	206,368
Fund Investments (Mutual/Commingled):					
Fixed Income Funds	151,267	-	-	-	151,267
Public Equity Funds	182,583	138,316	-	311,983	632,882
Multi Asset Class Funds	100,487	-	-	35,955	136,442
Alternative Investments:					
Hedge Funds	-	-	-	6,091	6,091
Private Equity Partnerships	-	1,469	-	112,904	114,373
Private Debt	-	-	-	79,294	79,294
Other:					
Derivative Assets	-	335	-	-	335
Trustee-held Investments	-	-	29,685	-	29,685
Pending Transactions	-	(4,245)	-	-	(4,245)
Total investments	$ 673,223	$ 659,825	$ 29,685	$ 566,346	$ 1,929,079
Obligations under interest rate swap agreements	$ -	$ (18,678)	$ -	$ -	$ (18,678)
Other derivative liabilities	-	-	-	-	-
Total liabilities at fair value	$ -	$ (18,678)	$ -	$ -	$ (18,678)

During fiscal year 2020, there were no transfers between Level 1, 2, 3 or NAV.

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

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

Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

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

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

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

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

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

Level 3 Rollforward

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

	Interest in Trusts
Fair value — June 30, 2018	$ 29,675
Actual return on investments — Realized and unrealized gains	64
Purchases	-
Sales	-
Fair value — June 30, 2019	29,739
Actual return on investments — Realized and unrealized losses	(54)
Purchases	-
Sales	-
Fair value — June 30, 2020	$ 29,685

Investments in Entities that Report Fair Value Using NAV

Included within the fair value table above are investments in certain entities that report fair value using a calculated NAV or its equivalent. These investments consist of hedge fund of funds, private equity partnerships, and private debt within alternative investments. The NAV instruments listed in the fair value measurement tables use the following valuation techniques and inputs as of the valuation date:

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

Fund Investments—Investments within this category consist of fixed income, public equity, and multi-asset funds. The fair value of fixed income and public equity funds classified at NAV are primarily determined using the calculated NAV at the valuation date under a market approach. This includes investments in commingled funds that invest primarily in domestic and foreign equity securities whose underlying values have a readily determinable market value or based on a NAV. Multi-asset funds include investments in fund of funds that seek to provide both capital appreciation and income by investing in both traditional and alternative asset funds. The asset allocation is driven by the fund manager's long-range forecasts of asset-class real returns. Investments in this category classified as NAV are held in a commingled fund that invests primarily in global equity and bond mutual funds. Included in this category is a multistrategy hedge fund, priced on the last business day of each calendar month. The values for underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals. The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

Alternative Investments—Investments within this category consist primarily of hedge fund of funds, private equity partnerships, and private debt. The hedge fund of funds consists of diversified investments including equity long/short, credit long/short, event-drive, relative value, global opportunities, and other multistrategy funds. Hedge fund of funds investments are valued based on RUSH's ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. Effective July 1, 2012, RUSH elected to measure all new private equity partnerships entered into on or after July 1, 2012, at fair value. Private equity and private debt partnerships are valued based on the estimated fair values of the nonmarketable private equity and private debt partnerships in which it invests, which is an equivalent of NAV.

The following table summarizes the attributes relating to the nature and risk of such investments as of June 30, 2020:

Entities that Report Fair Value Using NAV	Unfunded Commitments (In Thousands)	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Fund Investments (Mutual/Commingled)	None	Daily/Monthly	1-15 days
Alternative Investments:			
Hedge Funds	None	Quarterly	65-95 days
Private Equity Partnerships	$ 55,781	Not currently redeemable	N/A
Private Debt	38,648	Not currently redeemable	N/A
Total	$ 94,429		

7. ENDOWMENT FUNDS

RUSH's endowment consists of more than 400 individual funds, which are established for a variety of purposes. As required by GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

RUSH has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring preservation of the original value of the gift as of the gift date absent explicit donor stipulations to the contrary. As a result of this interpretation, RUSH classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of any subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable gift instrument at the time the accumulation is added to the fund. In accordance with UPMIFA, RUSH considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

a. The duration and preservation of the fund
b. The purposes of the organization and the donor-restricted endowment fund
c. General economic conditions
d. The possible effect of inflation and deflation
e. The expected total return from income and the appreciation of investments
f. Other resources of the organization
g. The investment policies of the organization

Endowment Investment and Spending Policies

RUSH has adopted endowment investment and spending policies to preserve purchasing power over the long term and provide stable annual support to the programs supported by the endowment, including professorships, research and education, free care, student financial aid, scholarships, and fellowships. Approximately 18% and 17% of RUSH's endowment is available for general purposes for the years ended June 30, 2020 and 2019, respectively.

RUMC has an Investment Committee with the authority discharged from the RUMC Board of Trustees to oversee its investment portfolio and approve the investment policy for RUMC and ROPH. RCMC has a Finance Committee with the authority to oversee its investment portfolio and approve its investment policy. The System Parent Board of Trustees, as a whole, maintains ultimate oversight and control over the investment policies and practices of its subsidiaries, through the discharge of its reserved powers over RUMC, RCMC, and ROPH.

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, 2020 and 2019, are as follows:

Asset Class	Target Allocation and Range	Percentage of Endowment Assets 2020	2019
Global equity	55% (+/- 5%)	57 %	56 %
Multi Asset Fund	10% (+/- 5%)	6	12
Private equity	15% (+/- 5%)	18	18
Fixed income	20% (+/- 5%)	18	14
Cash	--	1	-

To achieve its long-term rate of return objectives, RUSH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The expected long-term rate of return target of the endowment given its current asset allocation structure is approximately 7.0%. Actual returns in any given year may vary from this amount. RUSH has established market-related benchmarks to evaluate the endowment fund's performance on an ongoing basis.

The System Parent Board of Trustees approves the annual spending policy for program support. In establishing the annual spending policy, RUSH's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.0% for the fiscal years ended June 30, 2020 and 2019, and income from the endowment fund provided $21,089 and $20,126 of support for RUSH's programs during the fiscal years ended June 30, 2020 and 2019, respectively.

Composition of Endowment Fund and Reconciliation

The endowment net asset composition by type of fund as of June 30, 2020, consisted of the following:

	Without Restrictions	With Restrictions	Total
Donor-restricted endowment funds	$ -	$ 639,377	$ 639,377
Board-designated endowment funds	12,719	-	12,719
Total funds	$ 12,719	$ 639,377	$ 652,096

Changes in endowment net assets for the fiscal year ended June 30, 2020, consisted of the following:

	Without Restrictions	With Restrictions	Total
Endowment net assets — June 30, 2019	$ 13,026	$ 640,339	$ 653,365
Contributions	-	12,858	12,858
Net investment return	(126)	7,296	7,170
Transfer of endowment appreciation	(181)	(21,116)	(21,297)
Endowment net assets — June 30, 2020	$ 12,719	$ 639,377	$ 652,096

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

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

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

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

Fund Deficiencies

RUSH monitors the accumulated losses on investments within net assets with donor restriction to be maintained in perpetuity to determine whether the endowment corpus has been impaired. The endowment funds are invested in an investment pool, which also includes investments with net assets restricted by donors for a specific time period or purpose and investments within net assets without donor restrictions. Endowments were impaired by $536 for the fiscal year ended June 30, 2020. There were no endowment impairments for the fiscal year ended June 30, 2019.

8. PROPERTY AND EQUIPMENT—NET

Property and equipment—net as of June 30, 2020 and 2019 consisted of the following:

	2020	2019
Land and buildings	$ 2,251,906	$ 2,110,350
Equipment	975,529	822,928
Construction in progress	133,989	221,838
Total	3,361,424	3,155,116
Less accumulated depreciation	(1,749,779)	(1,602,175)
Property and equipment - net	$ 1,611,645	$ 1,552,941

Property and equipment—net includes financing leases of $2,854 and $1,656 in leased property and equipment as of June 30, 2020 and 2019, respectively. Accumulated depreciation on leased property and equipment amounted to $936 and $452 as of June 30, 2020 and 2019, respectively.

RUSH continues to make campus improvements and has a number of construction projects planned with a Master Facility Plan that began in fiscal year 2017. As of June 30, 2020 and 2019, RUSH had construction commitments outstanding of $187,045 and $145,425, respectively.

In October 2018, RUMC received approval by the Illinois Health Facilities & Services Review Board to build an eleven-story building of approximately 530,000 square feet, for the provision of outpatient services plus an attached 900-space parking facility (the "Joan and Paul Rubschlager Building" or the "Rubschlager Building"). An enclosed, fourth-floor walkway will connect it to RUMC's tower hospital building. The Rubschlager Building will further the mission to improve health of the individuals and diverse communities it serves through the integration of outstanding patient care, education, research, and community partnerships. Among the outpatient clinical services to be provided are radiation therapy, infusion therapy, integrative medicine, and imaging. The Rubschlager Building will also serve as a primary site for clinical research and teaching programs offered through Rush University; with medical students, residents, and fellows as well as nursing students, imaging and radiation therapy technology students and physicists actively engaged in the building's patient care and research activities. Construction and the groundbreaking occurred on June 12, 2019, and the Rubschlager Building is projected to open in fiscal year 2022. The approved cost of the Rubschlager Building is approximately $473,000.

9. LONG-TERM DEBT AND CREDIT ARRANGEMENTS

RUSH's long-term debt is issued under a Master Trust Indenture, which established the Obligated Group composed of RUMC, RCMC, and the System Parent. 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, 2020 and 2019, such issuances are secured by a pledge of gross receipts, as defined, of the Obligated Group members.

A summary of RUSH's long-term debt as of June 30, 2020 and 2019, is as follows:

			Amount Outstanding at June 30,	
	Interest Rates	**Final Maturity Date**	**2020**	**2019**
Illinois Finance Authority Revenue Bonds:				
Fixed-rate revenue bonds:				
Series 2015 A/B	5.00%	November 15, 2039	$ 448,175	$ 457,475
Variable-rate revenue bonds:				
Series 2016	Average of 2.24% and 2.89% in FY2020 and FY2019, respectively	November 1, 2045	50,000	50,000
Series 2011, Tax-Exempt Private Placement with a commercial bank	Average of 2.35% and 2.73% in FY2020 and FY2019, respectively	November 1, 2024	-	31,405
Total variable rate debt			50,000	81,405
Total tax-exempt debt			498,175	538,880
Other Debt:				
2020 Taxable Bonds	3.92%	November 15, 2029	330,000	-
Line of Credit	3.20%	December 31, 2022	75,000	36,500
Series 2019	1.78%	September 1, 2045	36,752	-
Mortgage loan, collateralized by fitness center	4.40%	May 2021	980	2,006
Total par value of debt			940,907	577,386
Less current portion of long-term debt			(11,775)	(14,270)
Deferred Financing Costs			(6,875)	(3,827)
Less unamortized premium			52,903	57,463
Long-term debt			$ 975,160	$ 616,752

In the third quarter of fiscal year 2020, the Obligated Group marketed a $330,000 taxable bond offering for the purposes of funding the construction of the Joan and Paul Rubschlager Building, retiring the Series 2011 bonds, and general corporate purposes. On February 14, 2020, RUSH entered into a $250,000 Treasury Interest rate lock with a reference yield of 2.06% and 30 years with its lead underwriting bank with the purpose of protecting RUSH from an adverse increase in interest rates. Subsequent to the rate lock but preceding the pricing of the bond offering, the breakout of COVID-19 pandemic precipitated the second largest two-month decline in 30-year rates over the last 30 years. The resulting decline in rates led to an adverse outcome whereas the rate lock was unwound on April 16, 2020, at a loss of $62,500 at a 30-year rate of 1.196%. The rate lock was a cash outflow and was recorded as a one-time non-operating loss within the consolidated statement of operations and changes in net assets in fiscal year 2020.

Under its various indebtedness agreements, the Obligated Group is subject to certain financial covenants, including maintaining a minimum historical debt service coverage and maximum annual debt service coverage ratios; maintaining minimum levels of days cash on hand; limitations on selling, leasing, or otherwise disposing of Obligated Group property; and certain other nonfinancial covenants. Management believes the Obligated Group was in compliance with its financial covenants as of June 30, 2020 and 2019.

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

Years Ending June 30	
2021	$ 11,775
2022	11,071
2023	86,458
2024	12,100
2025	12,598
Thereafter	806,905
Total	$ 940,907

Lines of Credit Arrangements

The Obligated Group had a $75,000 short-term line of credit with a bank as of June 30, 2019, which would have matured on December 31, 2021. In fiscal year 2020, this short-term line of credit was refinanced to a maturity date of December 31, 2022, and fully drawn upon. Additionally, a new $25,000 one-year line of credit facility agreement was executed with any future draws due and payable in April 2021. As of June 30, 2020 and 2019, the Obligated Group had $75,000 and $36,500, respectively, outstanding on these lines of credit.

10. DERIVATIVES

Derivatives Policy

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

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

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

Interest Rate Swap Agreements

The Obligated Group has two interest rate swap agreements (the "Swap Agreements"), which were designed to synthetically fix the interest payments on its Series 2006A Bonds. Under the Swap Agreements, the Obligated Group makes fixed-rate payments equal to 3.945% to the swap counterparties and receives variable-rate payments equal to 68% of London InterBank Offered Rate (0.066% and 1.613% as of June 30, 2020 and 2019, respectively) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2020 and 2019, the Swap Agreements had a notional amount of $71,500 and $75,400, respectively ($35,750 in notional amount with each counterparty). Following the refinancing of the Series 2006A Bonds into the Series 2016 Bonds, the Obligated Group used $50,000 in notional amount of the Swap Agreements to synthetically fix the interest on the Series 2016 Bonds. The Swap Agreements each expire on November 1, 2035, and amortize annually commencing in November 2012. The Swap Agreements are secured by obligations issued under the Master Trust Indenture.

The Swap Agreements also require either party to post collateral in the form of cash and certain cash equivalents to secure potential termination payments. The amount of collateral that is required to be posted is based on the relevant party's long-term credit rating. Based on its current rating, the Obligated Group is required to post collateral with the swap counterparties in the event that the market value of the Swap Agreements exceeds $(30,000) or $(15,000) for each Swap Agreement. As of June 30, 2020 and 2019, the Obligated Group had no collateral posted under Swap Agreements.

The fair value of the Swap Agreements as of June 30, 2020 and 2019, was as follows:

		June 30	
	Reported As	**2020**	**2019**
Obligations under Swap Agreements	Other long-term liabilities	$ (18,678)	$ (14,782)
Collateral posted under Swap Agreements	Other current assets	-	-
Obligations under Swap Agreements, net		$ (18,678)	$ (14,782)

The fair value of the Swap Agreements reported in RUSH's consolidated balance sheets as of June 30, 2020 and 2019, 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, 2020 and 2019, were as follows:

		Fiscal Years Ended June 30	
	Reported As	**2020**	**2019**
Change in fair value of interest rate swaps	Nonoperating income (expense)	$ 3,896	$ (3,182)
Net cash payments on interest rate swaps	Interest expense	2,129	(1,796)

11. LEASES AND OTHER FINANCING ARRANGEMENTS

RUSH has entered into the following lease arrangements:

Finance Leases

RUMC is party to certain financing leases and long-term financing arrangements relating to medical and office equipment and buildings. Expiration of leases ranges from 2021 to 2024. Assets acquired under financing lease arrangements are included in property and equipment—net in the accompanying consolidated balance sheets. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

Total financing lease assets and liabilities in the consolidated balance sheets at June 30, 2020 are $1,713.

Operating Leases

RUSH leases office space and medical space that expire in various years through 2033. These leases generally contain renewal options for periods ranging from 5 to 10 years and require RUSH to pay all executory costs (property taxes, maintenance, and insurance). Lease payments generally have an escalating fee schedule, which range from a 1% to 3% increase each year. Termination of these leases is generally prohibited unless there is a violation under the lease agreement. A portion of the leased space is subleased under leases expiring over the next five years.

Short-Term Leases

RUSH leases certain equipment, medical space, and office space with a lease term of less than twelve months. Short-term lease expense is not material to RUSH and is recognized when paid within supplies, utilities, and other in the accompanying statements of operations and changes in net assets.

All Leases

RUSH’s lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of June 30, 2020, RUSH has not entered into any additional operating and finance leases for equipment, office space or medical space that have not yet commenced.

Lease cost and other required information related to operating leases for the year ended June 30, 2020 are as follows:

	2020
Lease cost	
Operating lease cost	$ 30,729
Short-term and variable lease cost	345
Total operating lease cost	$ 31,074

	2020
Other information	
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ (29,233)
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 3,556
Operating leases	
Weighted-average remaining lease term	7.0
Weighted-average discount rate	1.88 %

Annual maturities of lease liabilities at June 30, 2020, are as follows:

	Operating Leases
2021	$ 29,887
2022	28,505
2023	25,878
2024	24,070
2025	18,985
Thereafter	46,856
Total future undiscounted lease payments	174,181
Less interest	11,641
Lease liabilities	$ 162,540

RUSH is party to various noncancelable operating leases with third parties. Rental expense was approximately $37,851 for the year ended June 30, 2019, and was included in supplies, utilities, and other expenses in the accompanying consolidated statements of operations and changes in net assets. Total minimum payments under noncancelable operating leases as of June 30, 2019, are as follows:

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

Future minimum lease payments under noncancelable capital leases and other financing arrangements as of June 30, 2019, are as follows:

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

During fiscal years 2020 and 2019, one of RUSH's joint ventures, Rush Oak Brook Orthopaedic Center, LLC, had no draws and draws of $6,285, respectively, from a construction line of credit to finance the construction of a new medical office building in Oak Brook, Illinois. The outstanding balance is recorded within obligations under financing leases and other financing arrangements of the accompanying consolidated balance sheet, which totaled $41,160 as of June 30, 2020. Annual interest expense under these lease agreements was $2,008 and $2,112 for the years ended June 30, 2020 and 2019, respectively. RUMC guaranteed 25% of the outstanding debt balance that expired March 31, 2020, and since then RUMC has been relieved from the debt guarantee.

12. PENSION AND OTHER POSTRETIREMENT BENEFIT PLANS

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

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

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

Effective January 1, 2015 (the "effective date"), a new defined benefit plan was established. This new plan (the "Pre-2015 Separations Plan" or the "Pre-2015 Plan"), is a spin-off of the current Retirement Plan. The Retirement Plan's benefit obligation and assets attributable to participants who terminated employment prior to January 1, 2015, with a vested benefit were transferred to the Pre-2015 Plan as of the effective date. On the effective date, $648,066 of benefit obligations and $625,334 of assets were transferred from the Retirement Plan into the Pre-2015 Plan.

RUSH offered an enhanced retirement opportunity ("ERO") to certain RUMC and ROPH employees meeting eligibility requirements during fiscal year 2019, resulting in a total settlement of $691 and $69,416 during years ended June 30, 2020 and 2019, respectively. In addition, the ERO triggered a one-time non-cash charge of $23,235 as a result of the total payments exceeding the plan's interest cost and service cost components in fiscal year 2019, which is recorded as pension settlement expense within non-operating losses in the accompanying consolidated statement of operations and changes in net assets.

During fiscal year 2020, RUSH, on behalf of the defined benefit plans for RUMC and ROPH, continued to de-risk its open defined benefit plan for certain eligible employees. RUSH completed a risk transfer of certain retiree liabilities to an insurance company that went into effect June 1, 2020. The risk transfer was for $125,900 of plan assets and liabilities that resulted in a one-time non-cash settlement of $40,445. The settlement is included in non-operating losses within the consolidated statement of operations and changes in net assets.

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

Obligations and Funded Status

The table below sets forth the accumulated benefit obligation, the change in the projected benefit obligation, and the change in the plan assets of the Defined Benefit Pension Plans and Postretirement Healthcare Plans (collectively, the "Plans"). The table also reflects the funded status of the Plans as of the Measurement Date and amounts recognized in the consolidated balance sheets as of June 30, 2020 and 2019.

Obligations and Funded Status	**Defined Benefit Pension Plans**		**Postretirement Healthcare Plans**	
	2020	**2019**	**2020**	**2019**
Actuarial present value of benefit obligations — accumulated benefit obligation	$ 1,023,587	$ 1,050,875	$ 6,008	$ 6,296
Change in projected benefit obligations:				
Projected benefit obligation — beginning of measurement period	$ 1,079,493	$ 1,032,807	$ 6,296	$ 6,495
Service costs	23,765	21,741	221	220
Interest costs	38,678	45,040	236	290
Employee contributions	-	-	250	290
Special termination benefits	-	10,298	-	-
Plan settlements	(128,817)	(69,416)	-	-
Actuarial gain (loss)	100,474	83,496	(471)	(467)
Benefits paid	(53,296)	(44,473)	(524)	(532)
Projected benefit obligation - end of measurement period	$ 1,060,297	$ 1,079,493	$ 6,008	$ 6,296
Change in plan assets:				
Fair value of plan assets — beginning of measurement period	$ 1,037,654	$ 1,014,502	$ -	$ -
Actual return on plan assets	96,266	101,700	-	-
Employer contributions	18,164	35,341	274	242
Plan participant contributions	-	-	250	290
Plan settlements	(128,817)	(69,416)	-	-
Benefits paid	(53,296)	(44,473)	(524)	(532)
Fair value of plan assets — end of measurement period	$ 969,971	$ 1,037,654	$ -	$ -
Accrued benefit liability	$ 90,326	$ 41,839	$ 6,008	$ 6,296

The actuarial cost method used to compute the Defined Benefit Pension Plans liabilities and expenses is the projected unit credit method.

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

Components of Net Periodic Pension Cost Year Ended June 30	**Defined Benefit Pension Plans**		**Postretirement Healthcare Plans**	
	2020	**2019**	**2020**	**2019**
Net periodic pension cost comprised of the following:				
Service cost	$ 23,765	$ 21,741	$ 221	$ 220
Interest cost on projected benefit obligation	38,678	45,040	236	290
Expected return on plan assets	(58,989)	(62,120)	-	-
Amortization of prior service cost and other actuarial amounts	(665)	(665)	-	-
Recognized actuarial loss (gain)	10,546	9,273	(548)	(368)
Special termination benefit recognized	-	10,298	-	-
Recognized settlement loss	40,445	12,938	-	-
Net periodic pension cost (credit)	$ 53,780	$ 36,505	$ (91)	$ 142

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

Accrued Benefit Liability	Defined Benefit Pension Plans 2020	Defined Benefit Pension Plans 2019	Postretirement Healthcare Plans 2020	Postretirement Healthcare Plans 2019
Accrued benefit liability — beginning of measurement period	$ 41,839	$ 18,305	$ 6,296	$ 6,495
Fiscal year activity:				
Net periodic pension cost	53,780	23,683	(91)	142
Employer contributions	(18,164)	(35,341)	(274)	(242)
Postretirement-related changes and other net periodic postretirement costs:				
Actuarial gain (loss)	63,196	43,915	(471)	(467)
Reclassification adjustment for losses reflected in periodic expense	(50,325)	(8,723)	548	368
Accrued benefit liability — end of measurement period	$ 90,326	$ 41,839	$ 6,008	$ 6,296
Recognized in the consolidated balance sheets as follows:				
Accrued expenses	$ -	$ -	$ -	$ -
Noncurrent liabilities	90,326	41,839	6,008	6,296
	$ 90,326	$ 41,839	$ 6,008	$ 6,296

In accordance with FASB guidance regarding accounting for defined benefit pension and other postretirement plans, all previously unrecognized actuarial losses and prior service costs are reflected in the consolidated balance sheets. The postretirement-related charges other than net periodic benefit cost related to the Defined Benefit Pension Plans and Postretirement Healthcare Plans are included as a separate (decrease) increase to net assets without donor restrictions and total $(12,794) and $(22,270) for fiscal years 2020 and 2019, respectively. For fiscal year 2020, this amount includes actuarial gains arising during fiscal year 2019 of $62,727 and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2020 of $49,778. For fiscal year 2019, this amount includes actuarial gains arising during fiscal year 2018 of $(43,448) and a reclassification adjustment for losses reflected in periodic expense in fiscal year 2019 of $8,356.

The Defined Benefit Pension Plans and Postretirement Healthcare Plans items not yet recognized as a component of periodic pension and postretirement medical plan expense, but included within net assets without donor restrictions as of and for the years ended June 30, 2020 and 2019, are as follows:

	Defined Benefit Pension Plans 2020	Defined Benefit Pension Plans 2019	Postretirement Healthcare Plans 2020	Postretirement Healthcare Plans 2019
Unrecognized prior service credit	$ 1,264	$ 1,930	$ -	$ -
Unrecognized net actuarial (loss) gain	(289,890)	(277,683)	1,226	1,304
Total	$ (288,626)	$ (275,753)	$ 1,226	$ 1,304

An estimated $665 in prior service credit and $(10,546) in net actuarial loss will be included as components of periodic pension expense in fiscal year 2021. An estimated $548 in net actuarial gain will be included as components of periodic postretirement expense in fiscal year 2021.

Assumptions

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

Assumptions Used to Determine Benefit Obligations and Net Periodic Benefit Cost	Defined Benefit Pension Plans				Postretirement Healthcare Plans	
	Retirement Plan		Pre-2015 Separations Plan			
	2020	2019	2020	2019	2020	2019
Discount rate — benefit obligation	3.05 %	3.75 %	2.95 %	3.65 %	3.05 %	3.75 %
Discount rate — pension expense	3.75	4.45	3.65	4.45	3.75	4.45
Rate of increase in compensation levels	5.57	5.42	-	-	-	-
Expected long-term rate of return on plan assets	6.75	6.90	5.25	5.75	-	-
Health care cost trend rate (initial)	-	-	-	-	6.00	6.20
Health care cost trend rate (ultimate)	-	-	-	-	4.50	4.50
Year the rate reaches ultimate trend rate	-	-	-	-	2038	2038

The discount rate used is based on a spot interest rate yield curve based on a broad group of corporate bonds rated AA or better as of the Measurement Date. RUSH uses this yield curve and the estimated payouts of the Plans to develop an aggregate discount rate. The estimated payouts are the sum of the payouts under the Defined Benefit Pension Plan(s) and the Postretirement Healthcare Plans. For fiscal years 2020 and 2019, the discount rate was estimated under a bond model approach, which is based on a hypothetical bond portfolio whose cash flow from coupons and maturities match the year-by-year Plans' cash flows using bonds rated AA or better.

For the years ended June 30, 2020 and 2019, the actual rate of return on plan assets was 10.1% and 11.4%, respectively.

Plan Assets

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

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

The fair value of the Defined Benefit Pension Plan assets as of June 30, 2020 and 2019, is as follows:

Fair Value Measurements as of June 30, 2020	**Level 1**	**Level 2**	**Level 3**	**Valued @ NAV**	**Total Fair Value**
Marketable securities and short-term investments	$ -	$ -	$ -	$ 16,454	$ 16,454
Fixed Income Securities:					
U.S. Government and Agency securities	-	358,733	-	-	358,733
Corporate Bonds	103,611	387,855	-	-	491,466
Asset Backed Securities and Other	-	34,382	-	-	34,382
Public Equity Securities	61,915	-	-	-	61,915
Fund Investments (Mutual/Commingled):					
Public Equity Funds	51,559	1,082	-	98,796	151,437
Multi Asset Class Funds	9,480	-	-	-	9,480
Alternative Investments:					
Private Equity Partnerships	-	-	-	14,259	14,259
Other:					
Derivative Assets	-	2,866	-	-	2,866
Pending Transactions	432	(164,484)	-	(23)	(164,075)
Total Plan Assets	$ 226,997	$ 620,434	$ -	$ 129,486	$ 976,917
Liabilities					
Derivative Liabilities	$ -	(6,946)	-	-	(6,946)
Total Liabilities at Fair Value	$ -	$ (6,946)	$ -	$ -	$ (6,946)

During fiscal year 2020, $1,082 was transferred from NAV to Level 2, other than that there were no transfers between Level 1, 2, 3 or NAV.

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

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

As of June 30, 2020 and 2019, the defined benefit pension plan's commitments for additional contributions to alternative investments totaled $4,960 and $3,130, respectively.

Cash Flows

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

	Defined Benefit Pension Plans	Postretirement Healthcare Plans
Expected contributions in 2021	$ 9,189	$ 380
Estimated Benefit Payments		
2021	$ 58,264	$ 380
2022	58,912	411
2023	58,592	441
2024	61,097	491
2025	60,577	523
2026 through 2030	316,005	2,606
Total	$ 613,447	$ 4,852

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 $25,358 and $24,468 for the years ended June 30, 2020 and 2019, 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 $31,350 and $24,468 as of June 30, 2020 and 2019, respectively, and are included in investments—less current portion and other long-term liabilities in the accompanying consolidated balance sheets. The assets of the 457(b) Plan are subject to the claims of the general creditors of RUMC.

Both RUMC and RCMC also sponsor supplemental retirement plans for certain management employees (the "Plans"). The RUMC plans include a supplemental plan, which was frozen as of December 31, 2014, and replaced with the Executive Retirement Plan. The Plans are noncontributory and annual benefits are credited to each participant's account based on a percentage of qualifying compensation, as defined by the provisions of the plan. Assets set aside to fund the supplemental plans amounted to $10,154 and $12,427 as of June 30, 2020 and 2019, respectively, and are included in investments—less current portion in the accompanying consolidated balance sheets. These supplemental retirement plans are currently funded at 86% of benefits accrued.

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

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

13. CONCENTRATION OF CREDIT RISK

RUSH grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. The mix of patient accounts receivable from patients and third-party payors as of June 30, 2020 and 2019, was as follows:

	2020	**2019**
Medicare	14 %	19 %
Medicare Managed Care	6	6
Medicaid	11	11
Medicaid Managed Care	17	14
Blue Cross	23	22
Managed Care	23	24
Commercial	3	2
Self-pay	3	2
Total	100 %	100 %

14. COMMITMENTS AND CONTINGENCIES

Professional Liability

RUSH maintains insurance programs, including both self-insured and purchased insurance arrangements, for certain professional liability claims. Self-insured risks are retained in varying amounts according to policy year and entity. For the period from December 15, 2018, to December 15, 2019, RUMC maintained a general liability self-insurance risk of $5,000 each and every claim, and a professional liability self-insurance risk of $10,000 each and every claim, with a $15,000 annual aggregate buffer, excess the $10,000. The December 15, 2018, to December 15, 2019, self-insured retentions are now uniform across the RUSH, with RCMC paying its own self-insured retention as part of this overall self-insured retention. RUSH also maintains excess liability insurance coverage with combined reinsured limits of $130,000 per occurrence and in the aggregate for general liability, professional liability, and other lines of liability coverage for the period from December 15, 2018, to December 15, 2019. RUSH has an established irrevocable trust fund to pay claims and related costs, which is recorded within the self-insurance trust in the accompanying consolidated balance sheets. Starting on January 1, 2010, RCMC implemented a self-insurance program for professional and general liability claims for claims not covered under the Chicago Hospital Risk Pooling Program. RCMC self-insured risks are retained at $2,000 per claim and $10,000 annual aggregate with a $1,000 per claim and $1,000 aggregate buffer. RCMC also maintains excess liability insurance coverage utilizing the RUMC self-insurance risk of $10,000 each and every claim, with a $15,000 annual aggregate buffer, excess the $10,000. Amounts above these specified self-insured limits are insured through the RUSH excess liability insurance coverage with combined reinsured limits of $130,000 per occurrence and in the aggregate. RCMC has established an account to pay claims and related costs.

RUSH has employed an independent actuary to estimate the ultimate costs of claim settlements. Self-insured liabilities are based on the actuarial estimate of losses using RUSH's actual payout patterns and various other assumptions. RUSH's self-insured liabilities of $266,066 and $247,930 as of June 30, 2020 and 2019, respectively, are recorded as noncurrent and current liabilities in the accompanying consolidated balance sheets, as appropriate, and based on the estimated present value of self-insured claims that will be settled in the future. If the present value method was not used, RUSH's liability for self-insured claims would be approximately $22,510 and $21,980 higher than the amounts recorded in the consolidated balance sheets as of June 30, 2020 and 2019, respectively. The discount rates used in calculating the present value by RUSH was 4% for fiscal years ended June 30, 2020 and 2019. Insurance recoveries are presented separately within noncurrent and current assets in the accompanying consolidated balance sheets, as appropriate. As of June 30, 2020 and 2019, no insurance recoveries were recorded.

RUSH is subject to various other regulatory investigations, legal proceedings, and claims that are incidental to its normal business activities. RUSH has received and is cooperating with a subpoena for records reflecting work by, and communications with, government relations consultants for the period 2014 to present. 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.

15. UNCONDITIONAL PROMISES TO CONTRIBUTE

Included in other assets are the following unconditional promises to contribute as of June 30, 2020 and 2019:

	2020	2019
Unconditional promises to contribute before unamortized discount and allowance for uncollectibles	$ 50,250	$ 30,815
Less unamortized discount	(359)	(816)
Less allowance for uncollectibles	(5,987)	(3,600)
Net unconditional promises to contribute	$ 43,904	$ 26,399
Amounts due in:		
Less than one year	$ 21,121	$ 11,886
One to five years	28,589	17,329
More than five years	540	1,600
Total unconditional promises to contribute	$ 50,250	$ 30,815

16. NET ASSETS

Net assets without donor restrictions as of June 30, 2020 and 2019, consist of the following:

Net Assets Without Donor Restrictions	2020	2019
Non-Board designated	$1,555,907	$1,714,042
Board designated	12,719	13,026
Total net assets without donor restrictions	$1,568,626	$1,727,068

Net assets with donor restrictions as of June 30, 2020 and 2019, were available for the following purposes:

Net Assets With Donor Restrictions	2020	2019
Restricted for specified purpose:		
Construction and purchase of equipment	$ 54,602	$ 28,492
Health education	20,453	22,772
Research, charity and other	391,292	438,326
Unappropriated endowment appreciation available for operations	58,052	64,347
Total funds designated for specified purpose	$ 524,399	$ 553,937
Endowments, perpetual in nature, the income from which is expendable for the following specified purposes:		
Health education	$ 182,187	$ 174,361
Research, charity and other	75,350	69,900
Operations	39,394	39,479
Total endowment net assets	296,931	283,740
Total net assets with donor restrictions	$ 821,330	$ 837,677

During fiscal years 2020 and 2019, net assets were released from donor restrictions for purchasing property and equipment of $2,021 and $16,804, respectively, and incurring expenses of $160,024 and $43,828, respectively, both of which satisfied the restricted purposes of the donors. Net assets released from restriction used in operations are included in other revenue in the accompanying consolidated statements of operations and changes in net assets.

17. JOINT VENTURES AND OTHER AFFILIATIONS

Investments in unconsolidated joint ventures, accounted for using the equity method, totaled $8,383 and $5,162 as of June 30, 2020 and 2019, respectively, and are included in other assets in the accompanying consolidated balance sheets. Income recognized from these joint ventures, reported in other revenue, was $4,029 and $1,513 during the years ended June 30, 2020 and 2019, respectively.

18. FUNCTIONAL EXPENSES

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

The expenses reported in the consolidated statement of operations for the year ended June 30, 2020, supported the following programs and functions:

	Healthcare Services	Academic & Research Activity	General & Administrative Support	Total
Salaries, Wages & Employee Benefits	$ 1,123,369	$ 163,428	$ 138,829	$ 1,425,626
Supplies, Utilities & Other	661,619	103,713	45,621	810,953
Insurance	62,828	-	3,335	66,163
Purchased Services	181,343	9,142	66,591	257,076
Depreciation and Amortization	156,700	-	162	156,862
Interest	28,404	-	33	28,437
Total	$ 2,214,263	$ 276,283	$ 254,571	$ 2,745,117

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

	Healthcare Services	Academic & Research Activity	General & Administrative Support	Total
Salaries, Wages & Employee Benefits	$ 1,041,229	$ 153,106	$ 154,898	$ 1,349,233
Supplies, Utilities & Other	647,452	94,862	45,536	787,850
Insurance	53,347	-	2,879	56,226
Purchased Services	155,558	7,919	45,541	209,018
Depreciation and Amortization	125,989	-	910	126,899
Interest	22,741	-	1,424	24,165
Total	$ 2,046,316	$ 255,887	$ 251,188	$ 2,553,391

19. GOODWILL

The changes in the carrying amount of goodwill, included in other assets in the consolidated balance sheets, for the years ended June 30, 2020 and 2019, were as follows:

	2020	2019
Beginning balance	$ 20,730	$ 20,383
Acquisition of goodwill	605	347
Impairment charge	(1,500)	-
Ending balance	$ 19,835	$ 20,730

A goodwill impairment charge for $1,500 was recorded during the year ended June 30, 2020, related to deteriorating operating results caused by the pandemic. No asset impairments were recorded during the year ended June 30, 2019.

20. LIQUIDITY

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

	2020	2019
Current Assets:		
Cash and cash equivalents	$ 578,477	$ 118,939
Accounts receivable for patient services	348,019	393,045
Other accounts receivable	33,605	40,451
Other current assets	20,909	20,327
Total current assets	981,010	572,762
Investments	900,170	1,153,989
Total	$ 1,881,180	$ 1,726,751

RUSH has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Certain other current assets within the accompanying consolidated balance sheets have been excluded from the liquidity table above due to the inability to either liquidate those assets or use them for general expenditures and other obligations, such as prepaid assets, grant related receivables, and tuition loan receivables. As described in Note 7, RUSH's endowment consists of donor restricted funds established for a variety of purposes, with income from endowments being restricted for specific purposes. The Finance Committee of the Board of Trustees for RUMC and ROPH and the Finance Committee for RCMC approves the annual endowment spending rate to be used for general purposes for each entity, respectively. As described in Note 9, RUSH also has a $25,000 line of credit available for working capital.

21. INFORMATION USED IN DETERMINING DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILTY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and non-profit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in RUSH's consolidated financial statements and the values as they are included in the determination of the ratios used by ED to gauge RUSH's financial responsibility:

	Total
Land, building and equipment, net	
Net book value of assets existing as of June 30, 2019	
(Pre-implementation):	
Land/Bldg	$ 1,125,104
Equipment	205,999
Total	1,331,103
Net book value of assets in service after June 30, 2019	
(Post-implementation):	
Land/Bldg	72,988
Equipment	73,565
Total	146,553
Construction in Progress	133,989
Land, Building and equipment, net as of June 30, 2020	$ 1,611,645
Intangible Assets as of June 30, 2020	$ 77
Unsecured related party receivables as of June 30, 2020	$ 490

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SUPPLEMENTAL INFORMATION

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

To the Board of Trustees of Rush System for Health:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Rush System for Health (the "System" or "Rush"), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise Rush's basic financial statements, and have issued our report thereon dated October 28, 2020.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Rush's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2020-01 that we consider to be a significant deficiency.

Compliance and Other Matters

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

Purpose of this Report

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

Deloitte & Touche LLP

October 28, 2020

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

To the Board of Trustees of Rush System for Health:

Report on Compliance for Each Major Federal Program

We have audited Rush System for Health's (the "System" or "Rush") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Rush's major federal programs for the year ended June 30, 2020. Rush's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Rush's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of *Title 2* U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Rush's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Rush's compliance.

Opinion on Each Major Federal Program

In our opinion, Rush complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal program for the year ended June 30, 2020.

Report on Internal Control over Compliance

Management of Rush is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Rush's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Rush's internal control over compliance.

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

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

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

Deloitte & Touche LLP

September 30, 2021

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
RESEARCH AND DEVELOPMENT:				
U.S. Department of Health and Human Services:				
National Institute of Health	93.RD		50,893,282	9,429,412
Passed through Adaptive Health:				
Integrating a Suite of Mental Health Apps for Depression in a Healthcare Setting	93.242	2R44MH114725	44,451	
Passed through Altius Institute:				
ENCODE mapping center—A comprehensive catalog of DNaseI Hypertension Sites	93.172	UM1HG009444	44,445	
Passed through Argus Cognitive Inc:				
ARGUS-MDS: Automated, Quantitative and Scalable System for Social Processes in Behavioral Health	93.242	1R44MH121965	13,698	
Passed through Augusta University:				
Mechanisms of Estrogen Signaling and Neuroprotection	93.853	R56NS109908	73,750	
Passed through University of Alabama:				
Identifying therapeutic targets that confer synaptic resilience to Alzheimer's disease	93.866	R01AG061800	111,133	
Role of vitamin D in the prevention and progression of urinary incontinence	93.847	R01DK115473	19,205	
Passed through University of Arizona:				
Building a Novel Predictive Networks for High-throughput, In-silico Key Driver Prioritization to Enhance Drug Target Discovery in Amp-AD and M2OVE-AD	93.866	RF1AG057457	16,138	
Passed through University of Hawaii:				
Profiling genome-wide circulating ncRNAs for the early detection of lung cancer	93.394	R01CA223490	89,076	
Passed through University of Mississippi:				
Jackson Heart Study Coordinating Center	93.RD	HHSN268201800010I	30,879	
Passed through Van Andel Research Institute:				
Promoting survival of dopamine neurons in models of Parkinso disease using a novel transcriptional regulator	93.853	R21NS105436	3,691	
Combining synucleinopathy and mitochondrial deficits in a novel mouse model of Parkinsons disease	93.853	R21NS106078	55,969	
Passed through University of Utah:				
Circadian and sleep pathways to cardiometabolic disease risk: role of neurobehavioral processes	93.233	R01HL141706	41,583	
Center For the Structural Biology of Cellular Host Elements in Egress, Trafficking, and Assembly of HIV (CHEETAH Center)	93.859	P50AI1150464	29,639	
Passed through Loyola University:				
METS-Sleep: Sleep timing, gut microbiota and cardiometabolic risk across the Epidemiologic Transition	93.233	R01HL148271	15,786	
Passed through University of Cincinnati:				
AtRial Cardiopathy and Antithrombotic Drugs in prevention After cryptogenic stroke ARCADIA	93.853	U01NS095869	158	
Sleep for Stroke Management and Recovery Trial(Sleep SMART) Stroke Trial	93.853	U01NS099043	1,925	
Multi-arm Optimization of Stroke Thrombolysis MOST Stroke Trial	93.853	U01NS100699	5,925	
Passed through Dignity Health:				
Neurobiology of Mild Cognitive Impairment in the Elderly	93.866	P01AG014449	6,645	
Passed through DePaul University:				
Preventing Suicide in African American Adolescents	93.242	1R01MH118382	212,835	
Passed through Fox Chase Chem Diversity Center:				
Riluzole prodrugs for melanoma and ALS	93.395	2R44CA156781	135,162	

(Continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through Heartland Health Center:				
Advanced Nursing Education Nurse Practitioner Residency	93.247	T14HP33133	171,907	
Passed through University of Kentucky:				
Role of impaired cognitive states & risk factors in conversion to mixed dementias	93.866	R01AG038651	95,942	
Passed through Wright State University:				
Differential clearance of pyroglutamate abeta through arachnoid meningeal lymphatics in AD	93.866	R01AG064226	31,774	
Passed through Wistar Institute:				
Sialic Acid Modulation of HIV-associated Chronic Inflammaging	93.866	R01AG062383	25,465	
Glycomic Modulation of Gut Microbiome During HIV Infection	93.847	R01DK123733	37,276	
Passed through Hennepin Healthcare Research:				
ASPirin in Reducing Events in the Elderly eXTensionASPREE	93.866	U19AG062682	153,069	
ASPirin in Reducing Events in the Elderly eXTensionASPREE	93.866	U19AG062682	17,599	
Passed through CDC:				
Candida auris, an emerging fungal pathogen of high concern	93.RD	75D30118C02900	104,355	
Genomic Epidemiology of Community-Onset Invasive USA3 MRSA Infections	93.RD	75D30118C02923	401,683	341,515
Development of reproducible, quantitative methods based on shotgun metagenome sequencing for assessment of risk of microbial transmission	93.084	75D30118C02915	4,685	
Evaluating emergence of resistance and changes in clinical pathogens following introduction of chlorhexidine bathing	93.RD	75D30119C06549	74,687	
Passed through Hektoen Institute:				
Chicago Consortium for the Women's Interagency HIV Study	93.855	U01AI034993	(22,830)	
Chicago WIHS Consortium WIHS V	93.855	U01AI034993	(7,443)	
Chicago WIHS Consortium—WIHS V	93.855	U01AI034993	18,940	
MACS/WIHS combined cohort study: cook county clinical research site (CC_CRS)	93.837	U01HL146245	113,312	
Passed through Columbia University:				
Interdisciplinary Research to Understand the Interplay of Diabetes Cerebrovascular Disease and Alzheimer's Disease	93.866	RF1 AG051556	11,424	
Pathway Discovery, Validation for Alzheimer's Disease and Compound Identification for Alzheimer's Disease	93.866	U01 AG046152	88,947	
Pathway Discovery, Validation and Compound Identification for Alzheimer's Disease	93.866	U01 AG046152	24,759	
NIA Late Onset of Alzheimer's Disease (LOAD)Family Based Study	93.866	U24AG056270	42,989	
Pathway Discovery, Validation for Alzheimer's Disease and Compound Identification for Alzheimer's Disease	93.866	U01 AG046152	11,977	
Deconstructing and modeling the single cell architecture of the Alzheimer brain	93.866	1RF1AG057473	389,971	
Convergence of myeloid susceptibility protein function in Alzheimer's disease	93.866	R01AG058852	33,989	
Alzheimer's disease research center overall	93.866	P50AG008702	23,550	
Metformin in Alzheimer's dementia Prevention (MAP)	93.866	R01AG062624	9,593	
Blood Pressure and ADRD in African Americans The Jackson Heart Study	93.866	R01AG066134	9,594	
Multi-omic network directed proteoform discovery, dissection and functional validation to prioritize novel AD therapeutic targets	93.866	U01AG061356	314,855	
Passed through Jaeb Center for Health Research:				
Peripheral DR Lesions on Ultrawide-field Fundus Images and Risk of Diabetic Retinopathy Worsening Over time (Protocol AA)	93.867	U10 EY014231	3	

(continued)

RUSH SYSTEM FOR HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through Northwestern University:				
Chicago Clinical Trials Unit	93.855	UM AI069471	698,882	
SPORE in Prostate Cancer	93.397	P50CA180995	43,320	
Food Allergy Outcomes Related to White and African American Racial Differences (FORWARD)	93.855	R01AI130348	172,906	
A Family Genetic Study of Language in Autism	93.173	R01DC010191	50,938	
Synaptic Substrates of Age-Dependent Memory Deficits	93.866	2RF1AG017139	203,220	
Core Center for Clinical Research at NU	93.846	P30AR072579	10,451	
Center for chronic pain and drug abuse	93.279	P50DA044121	7,186	
Molecular mechanisms underlying behavioral and psychological symptoms in Alzheimers disease	93.866	R01AG062249	96,265	
Lupus Intervention Fatigue Trial (LIFT)	93.846	R01AR071091	1,744	
Effect of ACA Medicaid Expansion on Diabetes: Diagnosis Treatment, Patient Compliance, & Health Outcomes	93.945	5U18DP0061020	11,304	
A Chicago center of excellence in learning health systems research training (ACCELERAT)	93.226	K12HS026385	206,048	
A Family- Genetic Study of Autism and Fragile X Syndrome	93.242	R01 MH91131	73,201	
Predoctoral and postdoctoral training program in aging and dementia	93.866	T32AG020506	75,073	
Chicago Stroke Trials Consortium	93.853	U24NS107233	1,441	
Passed through University of Chicago:				
Chicago Center for Youth Violence Prevention	93.136	U01CE002712	39,682	
Advancing Translational Science in Metropolitan Chicago-KL2 Component	93.350	KL2TR002387	280,089	
ITM 2.0: Advancing Translational Science in Metropolitan Chicago	93.350	UL1TR002389	843,050	
Chicago Metropolitan Asthma Consortium for Severe/exacerbation-prone Asthma	93.838	1UG1HL139125	52,079	
Illinois Precision Medicine Consortium	93.310	OT2OD026557	12,865	
Adaptive testing of cognitive function based on multidimensional item response theory	93.866	R56AG066127	4,504	
Predictive Analytics Applied to Integrated Administrative Emergency Response Datasets in Chicago	93.242	1R01MH117168	11,426	
Illinois Precision Medicine Consortium	93.368	OT2OD026557	828,323	
CTSA Grant	93.350	UL1TR002389	75,164	
Passed through University of Illinois:				
Leadership Education in Neurodevelopmental and Related Disorders Training Program	93.110	T73MC11047	5,000	
The Asthma Action at Erie Trial	93.838	R01 HL123797	(8,602)	
The Effect of Penile Microbiome on BV, GUD and Genital Epithelial Trauma	93.855	R01 AI110369	3,485	
Plasticity Circuits in Alzheimer's Disease	93.866	R01 AG033570	46,058	
Integrated Mechanisms of Cardiac Maladaptation	93.837	P01HL062426	131,584	
Diet Modulation of Bacterial Sulfur & Bile Acid Metabolism and Colon Cancer Risk	93.393	1R01CA204808	115,640	
Mediterranean Diet, Weight Loss, and Cognition in Obese Older Adults	93.837	R01HL129153	17,421	
Leadership Education in Neurodevelopmental and Related Disabilities Training Program	93.110	T73 MC11047-09-00	10,488	
Center for Health Equity Research (CHER)	93.307	U54MD012523	7,896	
AHEC Point of Service Maint & Enhancement	93.107	U77HP26847	20,654	13,489
A Dynamic Environmental Exposure Approach to Study Behaviors in Mid-Life.	93.866	R01AG062180	6,918	
Investigation of CXCR7 Signaling in EGFR TK1 resistant NSCLC	93.396	R01CA230778	5,587	
An innovative mobile health intervention to improve self-care in patients with heart failure	93.361	R1NR0118281	3,294	
Center for Health Equity Research (CHER)	93.307	U54MD012523	10,569	
Diet Modulation of bacterial sulfur & bile acid metabolism and colon cancer risk	93.393	R01CA204808	289,056	

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Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through Westat Inc:				
NICHD International and domestic Pediatric and Maternal HIV Studies Coordinating Center	93.RD	HHSN275201300003C HHSN275201800001I	493,061	
NICHD International and Domestic Pediatric and Maternal HIV Studies Coordinating Center	93.RD	HHSN275201300003C HHSN275201800001I	42,279	42,279
Passed through Yale University:				
The Insulin Resistance Intervention After Stroke Trial	93.853	5 U01 NS044876	32,246	
Molecular Networks Underlying Resilience to Alzheimer's Disease Among APOE E4 Carriers	93.866	R01AG057912	109,463	
Clinical Pathological Study of Cognitive Impairment in Essential Tremor	93.853	R01NS086736	11,164	
Passed through University of Montreal:				
Exploring the role of IL-32 as a potential biomarker an therapeutic target in premature cardio-vascular diseases during HIV-infection	93.866	R01AG054324	44,868	
NIAID (DHHS) Contract:				
Virology Quality Assurance Program	93.RD	HHSN272201200023C	454,558	
Virology Quality Assurance Program	93.RD	HHSN272201200023C	144,444	144,444
Virology Quality Assurance Program	93.RD	HHSN272201200023C	71,296	71,296
Passed through University of California: USC, UC Davis, California Institute of Technology, Children Hosp LA, UCLA				
A Cognitive Test Battery for Intellectual Disabilities	93.865	R01 HD076189	120,216	
Alzheimer's Disease Neuroimaging Initiative 2 (ADNI2)	93.866	U01AG024904	11,765	
Alzheimer's Disease Cooperative Study—A4 Study	93.866	U19 AG010483	3,100	
AKAP-dependent regulation of Cardiac SR Ca handling	93.837	R01HL133832	93,938	
CD40 Autoantibody and FSGS Recurrence	93.847	R01DK109720	169,795	
Racial Differences in Decision Making among Older Adults	93.866	R01AG055430	334,103	
Higher Precision Human and Mouse Transcriptomes	93.172	UM1HG009443	17,618	
Nonlinear Models of Cognition Preceding AD and non-AD in a Biracial Population Sample	93.866	R01AG051635	197,374	
Laboratory Center, AIDS Clinical Trails Group (ACTG) LC2/3	93.855	UM1AI106701	422,289	
Alzheimer's Clinical Trial Consortium (ACTC)	93.866	U24AG057437	181,925	
Early vascular contributions to dementia risk in African-Americans	93.866	RF1AG050782	50,461	
Preserving Cognitive Resilience: A Biracial Parent-Offspring Study	93.866	R01AG058679	767,179	
Factors Influencing Decline in AD Trends in a Biracial Population Study	93.866	RF1AG057532	162,213	
Laboratory Center, AIDS Clinical Trials Group (ACTG)LC 2/3	93.855	UM1AI106701	85,576	
Leadership and Operations Center, Aids Clinical Trials Group	93.855	UM1AI068636	69,415	
Global Alzheimer's Platform Trial-Ready Cohort for Preclinical/Prodromal AD	93.866	R01AG053798	2,402	
Angelman Syndrome Natural History Study	93.103	R01FD0060033	602	
Passed through University of Washington:				
ADIN Psychometrics	93.866	R01AG029672	31,352	
Mechanisms of Psychosocial Treatments for Chronic Low Back Pain	93.213	R01AT008559	14,614	
Passed through Emory University:				
Clinical Studies of Dystonia and Related Disorders	93.853	U54 NS065701	17,805	
Discovery of Novel Proteomic Targets for Treatment of Alzheimer's Disease	93.866	U01 AG046161	84,076	
Testing Tele-Savvy, an Online Psychoeducation Program for Informal Alzheimer's Caregivers	93.866	R01AG054079	33,500	
Understanding the Molecular Mechanisms of Depression and Psychological Well-being in Alzheimer's Disease	93.866	R01AG056533	123,388	

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Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Preparation for End-of-Life Decision Making in Mild Alzheimer's Disease	93.866	R01AG057714	16,867	
Building a High-resolution Multi-Omic ADInteractome with the AMO-AD and M2OVE-ADProjects	93.866	R01AG057470	279,437	
Brain—Plasma Proteomics Biomarker Discovery and Validation int eh US and UK	93.866	RF1AG057471	97,517	
Computational Prediction and Functional Validation of Novel Risk Loci in Alzheimer's Disease	93.866	R56AG060757	124,904	
Computational Prediction and Functional Validation of Novel Epigenetic Risk Loci in Alzheimer's Disease	93.866	R56AG062256	118,803	
Roybal Translational Research Center to Promote Context-Specific Caregiving Master	93.866	P30AG064200	9,401	
Elucidating the Role of Plasma Cholesterol in Alzheimer's Disease using Mendelian	93.866	R56AG062633	42,508	
The Mechanism of Arenavirus Entry into Cells	93.855	R01AI053668	78,025	
Passed through Albert Einstein College of Medicine:				
Integrated Analysis of CVD Risk in HIV: Gut Microbiota, Immune Function and Metabolites	93.837	R01HL140976	17,786	
Immunophenotyping for precision medicine for cadiovasculardisease in people living wit HIV	93.837	R01HL148094	11,860	
Passed through Johns Hopkins:				
Multi Uveitis Steroid treatment trial	93.867	U10 EY024527	2,427	
LOC—IMPAACT Leadership Group	93.855	UM1AI068632	54,097	
Older American Independence Center	93.866	P30AG021334	40,555	
Passed through Brigham and Women's Hospital:				
Aids Clinical Trial Group Network	93.855	AI068636	(112,814)	
AIDS Clinical Trial Group Network	93.855	AI068636	238,130	
Neuropathology for Disrupted Multiscale Activity Control in Alzheimer's Disease	93.866	R01 AG048108	1,708	
Molecular Analysis for Therapy Choice (MATCH)	93.RD	EAY131	1,091	
Fractal motor activity regulation and the risk for Alzheimer's disease in middle to old age adults	93.866	R01AG059867	29,364	
Neuropathy doe disrupted multiscale activity control in Alzheimer's disease	93.866	R01AG048108	8,573	
Integrative Motor Activity Biomarker for the Risk of Alzheimer's Risk	93.866	RF1AG064312	59,804	
Passed through Massachusetts General Hospital:				
Randomized Trial to Prevent Vascular Events in HIV—REPRIEVE	93.837	U01 HL23336	28,563	
Recurrent Hemorrhagic Stroke in Minority Populations	93.853	R01NS093870	47,189	
A randomized, double-blind, placebo-controlled trial of urate-elevating inosine treatment to slow clinical decline in early Parkinson disease.	93.823	U01NS090259	(2,346)	
Dynamin, actin and microtubules: cystiskeletal crosstalk in podocytes	93.847	R01DK093773	53,933	
Passed through Great Lakes Hemophilia:				
Regional Program	93.184	H30 MC24052	36,395	
Public Health Surveillance for Bleeding Disorders	93.080	NU27 DD001155-01-00	23,164	
Passed through University of Florida:				
Genome-wide Profiling of Brain DNA Hydroxymethylome in Alzheimer's Disease	93.866	RF1AG052476	135,899	
Dignity Therapy RCT led by Nurses of Chaplains for Elderly Cancer Outpatients	93.395	R01CA200867	93,427	
Neuroimaging Biomarkers in Parkinsonism: Differentiating Subtypes and Tracking Disease Progression	93.853	U01NS102038	24,796	
Genome-wide profiling of brain 6mA methylome in AD	93.866	R01AG064786	38,115	
Passed through University of Pittsburgh:				
Signaling Mechanisms of Focal Adhesion Protein Kindlin-2 in Chondrogenesis	93.846	R01 AR068950	206,396	
SIV Pathogenesis in African Green Monkeys and Pigtailed Macaques	93.837	R01HL117715-13A1	65,957	

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Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through University of Michigan/Michigan State:				
Nortriptyline-mediated attenuation of Alpha-Synuclein Pathology in Parkinson's Disease	93.853	R01 NS094460	150,434	
Systems Biology of Clostridium Difficile Infection	93.855	U01AI124255	256,382	
Genetic Silencing of Striatal CaV1.3 Calcium Channels as a Potent Antidyskinetic Therapy for PD	93.853	R01NS110398	356,903	
Bright light treatment at home to improve symptom management of fibromyalgia syndrome	93.361	R21NR016930	18,036	
SWAN Genomic Analyses and SWAN Legacy	93.866	U01AG017719	7,853	
Passed through Vanderbilt University:				
Reduced Opioid Analgesic Requirements via Improved Endogenous Opioid Function	93.279	R01 DA037891	277,567	
Genetic Drivers of Resilience to Alzheimer's Disease	93.866	R01AG059716	43,255	
Neuroprotective Effects of Vascular Endothelial Growth Factor in Alzheimer's Disease	93.866	R01AG061518	25,350	
Precision Medicine Initiative Data and Research Support Core	93.310	U2COD023196	15,700	
A randomized, double-blind, placebo-controlled trial of urate-elevating inosine treatment to slow clinical decline in early Parkinson disease.	93.866	R01AG058639	17,496	
Proteomics of Hypertension and Alzheimer's Disease in African American	93.866	R01AG064950	21,882	
Passed through Sunnybrook Research Institute:				
Sleep, Circadian Rhythms, and Mechanisms of Cognitive Decline in the Human Brain	93.866	R01AG052488	364,528	
Passed thru Washington University:				
Washington University & BJC Epicenter for Prevention of Healthcare Associated Infections	93.084	U54CK000482	57,916	
Exploiting Integrin Signaling to Overcome Resistance to Immunotherapy	93.395	R01CA244938	42,292	
Passed thru University of North Carolina at Chapel Hill:				
Oxidative Stress and the Development of Osteoarthritis	93.866	R01 AG044034	27,651	
The Role of Human Gut Microbiota in HIV-1 Rectal Acquisition, Replication and Pathogenesis	93.855	R01AI123010	18,221	
Passed thru Harvard Pilgrim Health Care:				
Safety and Healthcare Epidemiology Prevention Research Development (SHEPheRD) Program	93.823	200-2011-24037/2011-N-13526	894,639	112,095
CLUSTER—Cluster Linkage Using Statistics to Trigger and Evaluate Response—Pilot Study for Outbreak Detection and Response	93.084	U54CK000484	7,319	
Passed thru University of Indiana:				
National Cell Repository for Alzheimer's Disease (NCRAD)	93.866	U24 AG021886	33,254	
Passed thru Virginia Polytechnic Institute and State University:				
Promoting Healing of Tendinopathies using Metabiologic Stimulation	93.846	R01 AR063144	54,945	
Passed through Baylor College of Medicine:				
Functional Validation of the CD1AP Susceptibility Network in Alzheimer's Disease	93.866	R01AG050631	98,052	
Mechanisms of couplon-linked skeletal muscle myopathies	93.846	R01AR072602	247,878	
Passed through Harvard Medical School:				
Targeting a Novel Regulator of Brain Aging and Alzheimer's Disease	93.866	R01 AG046174	2,867	
Passed through Boston University/Boston Childrens Hospital:				
Development of Synaptopathies Associated with TSC, PTEN, SHANK3 Mutations	93.853	2U54NS092090	25,625	
Passed through Boston Childrens Hospital:				
Development of Synaptopathies associated with TSC, PTEN and SHANK3	93.853	U54 NS092090	(10,450)	

(continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through Oregon Health and Science Institute:				
ORCATECH Collaborative Aging (in Place) Research Using Technology (CART)	93.866	1U2CAG054397-01	154,614	
Personality and Health: A Longitudinal Study	93.866	R01AG020048	32,040	
Passed through St. Joseph's Hospital and Medical Center:				
Neurobiology and Cognitive Impairment of the Elderly	93.866	P01 AG014449	67,373	
Passed through Rutgers University:				
Asian Resource Centers for Minority Aging Research RCMAR	93.866	P30AG059304	13,554	
Passed through Lurie Childrens Hospital:				
Employing eSBI in a Community-based HIV Testing Environment for at-risk Youth	93.279	R01 DA041071	114,992	
Passed through University of Rochester:				
Cohort of HIV-Associated Seizures and Epilepsy in Zambia)CHASE): Scale Up and Expansion Informed by R21 Findings	93.853	R01NS094037	7,811	
Passed through NeuroNext—Novartis and Massachusetts General Hospital:				
Effects of AFQ056 on Language Learning in Young Children with Fragile X Syndrome (FXS)	93.853	U01NS096767	42,904	
Effects of AFQ056 on Language Learning in Young Children with Fragile X Syndrome (FXS)	93.853	U01NS096767	244,714	
Passed through NCI-NCTN (ECOG, ALLIANCE, NRG, SWOG)				
Phase III Trial of Enzalutamide versus Enzalutamide, Abriaterone and Prednisone for Castration Resistant Metastatic Prostate Cancer	93.RD	A031201	500	
A Phase III Randomized Trial Comparing High Dose Interferon to MK-3475 (Pembrolizumab) in Patients with High Risk Resected Melanoma	93.RD	S1404	421	
A Randomized Phase III Trial of Dabrafenib + Trametinib Followed by Ipilimumab + Nivolumab at Progression vs Ipilimumab + Nivolumab followed by Dabrafenib+Trametinib at Progression in Patients with Advanced BRAFV600 Mutant Melano	93.RD	EA6134	684	
A Randomized Phase II/III Study of the Combination of Cediranib & Olaparib Compared to Cediranib or Olaparib Alone or Standard of Care Chemo in Women with Recurrent Platinum-Resistant or Refractory Ovarian, Fallopian tube or	93.RD	NRG-GY005	454	
Phase II/III Trial of Adjuvant Radiotherapy and Androgen Deprivation Following Radical Prostatectomy with or without Adjuvant Docetaxel	93.RD	NRG-GU002	128	
A Phase I and Expansion Cohort Study of Adjuvant Cisplatin, Intensity-Modulated Radiotherapy, and MK-3475 in High-Risk Head and Neck Squamous Cell Carcinoma	93.RD	NRG-HN003	10	
Randomized phase III trial evaluating the role of weight los in adjuvant treatment of overweight and obese women with early breast cancer	93.RD	A011401	122	
A Randomized trial of Regional Radiotherapy in Biomarker Low Risk Node Positive Breast Cancer	93.RD	CCTG MA.39	138	
ALCHEMIST: Adjuvant Lung Cancer Enrichment Marker Identification and Sequencing Trial	93.RD	COG ARST1321	1,089	
Phase III trial assessing the accuracy of tumor bed biopsies in predicting pathologic response in patients with clinical/radiologic complete response after neoadjuvant chemo in order to explore the feasibility of breast conserving trm	93.RD	NRG-BR005	121	
Phase III Comparison of Thoracic Radiotherapy Regimens in Patients with Limited Small Cell Lung Cancer Also Receiving Cisplatin and Etoposide	93.RD	CALBG-30610	76	
A Randomized Phase II Study Comparing Single-agent Olaparib single agent cediranib and the combo of cediranib/olaparib in women with recurrent, persistent or metastatic endometrial cancer	93.RD	NRG-GY012	137	
A Phase IB Trial of Neoadjuvant AMG232 Concurrent with Preoperative Radiotherapy in Wild-type P53 Soft Tissue Sarcoma (STS)	93.RD	NRG-DT001	1,361	
A Randomized, Phase III trial to Evaluate the Efficacy and Safety of MK-3475 as Adjuvant Therapy for Triple Receptor Negative Breast Cancer with >1 CM Residual Invasive Cancer or Positive Lymph Nodes After Neoadjuvant Chemotherapy	93.RD	S1418	4,864	

(continued)

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Phase III to trial to evaluate the efficacy of addition of inotuzumab ozogamin to frontline therapy in young adults with newly diagnosed precursor B-cell ALL	93.RD	A041501	207	
A Randomized Phase III Study of ibrutinib plus obinutuzumab versus ibrutinib plus venetoclax and obinutuzumab in untreated older patients with chronic lymphocytic leukemia	93.RD	A041702	4,250	
A Phase 3 Randomized Study Comparing Perioperative nivolumab vs observation in patients with localized renal cell carcinoma undergoing nephrectomy (PROSPER)	93.RD	EA8143	3,650	
A Randomized Phase III Study of a targeted therapy combo versus ibrutinib and obinutuzumab in Untreated Younger Patients with Chronic Lymphocytic Leukemia (CLL)\	93.RD	EA9161	1,026	
A Randomized Phase III Clinical Trial Evaluating Post-Mastectomy Chest wall and Regional Nodal XRT and Post-Lumpectomy Regional Nodal XRT in Patients with Positive AxilNodes before Neoadjuvant Chemo who Convert to Pathologically	93.RD	NSABP-B-51/RTOG-1304	14	
Colorectal Cancer Metastatic dMMRImmuno-Therapy (COMMIT) Study	93.RD	NRG-GI004	757	
Randomized phase II/III trail of radiotherapy with concurrent durvalumab vs radiotherapy with concurrent cetuximab inpatients with stage III-IVB head and neck cancer with a contraindication to cisplatin	93.RD	NRG-HN004	1,227	
Randomized phase II trial in early relapsing or refractory follicular lymphoma	93.RD	S1608	2,265	
Passed through IIT:				
Comprehensive Probabilistic Atlas of the Brain of Older Adults without Dementia	93.866	R01AG052200	103,869	
In-vivo MRI-based prediction of TDP43 pathology in aging	93.866	R01AG064233	125,030	
Passed through Tufts University:				
Vitamins D and K Neuropathologically-Defined Alzheimer and Other Dementias in Older Persons	93.866	AG051641	244,297	
Passed through Mt. Sinai:				
Peripheral and Brain Levels of Advanced Glycation End Products AGEs and Incident Alzheimer's Disease and Neuropathy	93.866	R01AG053446	304,117	
Integrative Network Modeling of Cognitive Resilience to Alzheimer's Disease	93.866	R01AG057907	46,945	
Leveraging Existing Aging Research Networks to Investigate TBI and AD/ADRD risk (LEARN TBI & AD)	93.866	R01AG061028	157,790	
Passed through University of Wisconsin:				
FMR1 Premutation Phenotypes in Population-Based and Clinically-Ascertained Samples	93.865	R01HD082110	14,283	
APOLLO—Upper Midwest	93.847	U01DK116092	52,954	
Passed through Mclean Hospital:				
Human iPSC-based Personalized Cell Therapy of PD	93.853	R01NS070577	532,428	
Passed through University of Kansas:				
The Effects of Parenting on the Development and Behavior of FXS Adolescents	93.865	R01HD084563	17,952	
Passed through Thomas Jefferson:				
Optimizing Ultrasound Enhanced Delivery of Therapeutics	93.394	R01CA199646	4,683	
Passed through Hospital for Special Surg:				
Mechanobiological Risk Factors for Initiation of Post Traumatic Osteoarthritis	93.846	R01 AR066635	136,549	
Passed through Case Western:				
Effects of IL-6 Blockade in treated HIV Infection	93.855	U01 AI105937	(34,387)	
Passed through Duke University:				
Metabolomic signatures for disease sub-classification and target prioritization in AMP-AD	93.866	U01AG061359	47,911	
Alzheimer's Gut Microbiome Project	93.866	U19AG063744	87,793	

(continued)

RUSH SYSTEM FOR HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through Cleveland Clinic:				
Dementia with Lewy Bodies Consortium	93.853	U01NS100610	$ 56,886	
Passed through Cel-Sci Corporation:				
Preclinical Studies of Pg70 Leaps Peptide Vaccines for Rheumatoid Arthritis	93.846	2R44AR063504	81,741	
Passed through Intl Rett Syndomr FDN:				
Rett Syndrome, MECP2 Duplications, and Rett-related Disorder Natural History	93.865	2U54HD061222-11	98	
Passed through the Jackson Laboratory:				
Systems Genetics Analysis of Resilience to Alzheimer's Disease	93.866	R01AG057914	39,866	
Passed through Medical College of South Carolina:				
Genetic Marker of IgG and Cytomegalovirus Immune evasion in Alzheimer Disease	93.866	R21AG058489	4,323	
Passed through National Fragile X Foundation:				
Fragile X Clinic and Research Cooperative Consortium Agreement	93.315	U01DD001186	1,631	
Total U.S. Department of Health and Human Services			70,545,129	10,154,530
U.S. Army Medical Research Acquisition Activity:				
Targeting Prolyl Peptidases in Triple-Negative Breast Cancer	12.420	W81XWH-16-1-0025	40,210	
Objective Phenotyping in Cervical Dystonia	12.420	W81XWH-17-1-0394	132,421	
Targeting Diet-Microbiome Interactions in the Pathogenesis of Parkinson's Disease	12.420	W81XWH-17-1-0587	231,374	
Passed through University of California: Effects of traumatic brain injury and post traumatic stress disorder on Alzheimer's disease in Veterans using ADNI	12.420	W81XWH-12-2-0012	19,324	
Passed through University of Melbourne:				
The Role of an Aggrecan 32mer Fragment in Post-Traumatic Osteoarthritis	12.420	W81XWH-16-1-0706	32,562	
Total U.S. Army Medical Research Acquisition Activity			455,891	-
Department of Education:				
Web-Based Assessment of Social-Emotional Learning in Grades Four to Six	84.305	R305A160053	297,364	23,236
VESIP: Virtual Environment for Social information processing assessment tool for Upper Elementary and Middle School Children	84.305	R305A150189	165,552	
Total Department of Education			462,916	23,236
TOTAL RESEARCH AND DEVELOPMENT			71,463,936	10,177,766
Stimulus Act:				
Higher Education Emergency Relief Fund: Student Portion	84.425E	P425E202465	318,977	
Higher Education Emergency Relief Fund: Institutional Portion	84.425F	P425F200797	187,137	
Total Higher Education Emergency Relief Fund			506,114	
Uninsured Covid Testing and Treatment	93.461		7,010,118	
TOTAL STIMULUS			7,516,232	

(continued)

RUSH SYSTEM FOR HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Student Financial Assistance:				
U.S. Department of Education:				
Stafford Loan	84.268	P268K5336	$ 38,883,351	
Grad Plus	84.268	P268K5336	16,822,656	
Parent Loans for Undergraduate Students	84.268	P268K5336	9,692	
Perkins Loan	84.038	P038A031271		
Perkins Loan-outstanding loan bal. at measurement date	84.038		4,386,693	
Pell Grant Program	84.063	P063P125336	200,973	
Supplemental Educational Opportunity Grant	84.007	P007A121271	217,345	
Federal Work Study	84.033	P033A121271	462,403	
Total U.S. Dept of Education			60,983,113	
U.S. Department of Health and Human Services:				
Loans for Disadvantaged Students-outstanding loan bal. at measurement date	93.342		929,371	
Nursing Student Loan-Undergraduate-outstanding loan bal. at measurement date	93.364		33,015	
Nursing Student Loan-Graduate-outstanding loan bal. at measurement date	93.364		439,728	
Primary Care Loan/HPSL-outstanding loan bal. at measurement date	93.342		1,268,004	
Nurse Faculty Loan Program-outstanding loan bal. at measurement date-ARRA	93.408		149,814	
Nurse Faculty Loan Program-outstanding loan bal. at measurement date	93.264		892,011	
Nursing Student Loan	93.364	E4 DHP19180	140,671	
Nurse Faculty Loan Program	93.264	E01 HP28838	92,839	
Total U.S. Department of Health and Human Services			3,945,453	
TOTAL STUDENT FINANCIAL ASSISTANCE			64,928,566	
Other Federal Assistance:				
U.S. Department of Health and Human Services:				
Nurse Anesthetist Traineeships	93.124		43,294	
Passed through Washington State Department of Social and Health Services:				
Bridge Model	93.048	9 ONWBC0004-01-00	22,068	
Passed through State of Illinois Department of Human Services:				
Opioid STR Program	93.788	43CYZ03198	278,364	
Opioid SOR Program	93.788	43CYC03497	676,103	
Passed through City of Chicago-Department of Family and Support Services:				
City of Chicago Health Promotion Services	93.043	68760	600	
City of Chicago Health Promotion Services	93.043	68760-2	62,874	
City of Chicago Health Promotion Services	93.043	68760-3	28,818	
Health and Wellness Program	14.218	43922	600	
Health Promotion-Nutrition Program	93.043	72269	9,787	
Health and Wellness Promotion	14.218	97697	7,606	

(continued)

RUSH SYSTEM FOR HEALTH

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2020

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Federal Grantor/ Pass-through Grantor's Number	Federal Expenditures	Sub Recipients
Passed through City of Chicago-Chicago Department of Public Health:				
Expanded HIV Testing for Disproportionately affected populations	93.940	30597	$ 61,029	
ASPR Hospital Preparedness Program Ebola Response Program	93.817	32949	57,101	
Passed through State of Illinois Department of Public Health:				
Family Planning Program	93.667	06180067H	104,772	
School Based Health Center	93.667	06380038H	315,280	
Regional Perinatal Network	93.994	06380007H	379,756	
Total Other Federal Assistance			2,048,952	
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 145,956,786	

(concluded)

RUSH SYSTEM FOR HEALTH

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

State Grantor/Pass-Through Grantor/Program or Cluster Title	State Grantor/ Pass-Through Grantor's Number	State Expenditures
PASSED THROUGH THE ILLINOIS DEPARTMENT OF PUBLIC HEALTH:		
Genetic Counseling/Clinical Services	03788111H	$ 72,000
Sickle Cell Program	03788304H	21,000
Total Illinois Department of Public Health		93,000
PASSED THROUGH CITY OF CHICAGO — CHICAGO DEPARTMENT OF PUBLIC HEALTH:		
Community Breast Health Services	PO 57470	12,708
Total City of Chicago — Chicago Department of Public Health		12,708
PASSED THROUGH THE ILLINOIS DEPARTMENT OF HUMAN SERVICES:		
Early Intervention Services	FCSXO05147	3,934,504
Total Illinois Department of Human Services		3,934,504
TOTAL EXPENDITURES OF STATE AWARDS		4,040,212
TOTAL EXPENDITURES FEDERAL AND STATE AWARDS		$ 149,996,998

1. BASIS OF PRESENTATION

The accompanying Schedules of Expenditures of Federal Awards and State Awards (the "Schedules") include the federal and state grant activity of Rush System for Health (the "System" or "Rush"). The Schedules have been prepared on the accrual basis of accounting. The information in the Schedules is presented in accordance with the requirements of U.S. Office of Management and Budget Uniform Guidance, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award.

2. SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

Expenditures reported on the Schedules are presented on the accrual basis of accounting. Such expenditures are recognized following cost principles contained in OMB Uniform Guidance in 2 CFR Part 200 wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available. Rush did not elect to utilize the de minimis indirect cost rate as allowed under Uniform Guidance.

3. LOANS WITH CONTINUING REQUIREMENTS

The outstanding balances as of June 30, 2020 for those loan programs for which the Federal Government imposes continuing compliance requirements are as follows:

Perkins Loan	$ 2,968,169
Loans for Disadvantaged Students	740,183
Nursing Student Loan-Undergraduate	24,638
Nursing Student Loan-Graduate	447,919
Primary Care Loan/HPSL	441,333
Nurse Faculty Loan Program—ARRA	105,602
Nurse Faculty Loan Program	825,342

4. NONCASH ASSISTANCE

Rush did not receive any noncash federal awards or in-kind contributions during fiscal year 2020. In addition, Rush did not have any federal insurance in effect during the year ended June 30, 2020, to specifically cover federal expenditures.

RUSH SYSTEM FOR HEALTH

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2020

Part I—Summary of Auditors' Results

Financial Statements

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

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

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
Various	Student Financial Aid
93.461	Uninsured Covid Testing and Treatment

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

Auditee qualified as low-risk auditee? __X__ Yes ______ no

Part II—Financial Statement Findings

Significant Deficiency 2020-01: Accounting and management of fixed assets

Criteria—Proper oversight of fixed assets requires the design, implementation, and operation of internal controls to ensure appropriate capitalization of fixed assets, timely placement of fixed assets into service, and timely recording of disposals of fixed assets.

Condition— Multiple controls within the fixed asset cycle were not operating effectively according to design, resulting in a significant deficiency within the controls designed to allow for proper oversight of fixed asset transactions, including: proper capitalization of fixed assets, placement of fixed assets into service in order to be depreciated timely, and timely review for potential unrecorded disposals

Specifically, (1) review of fixed asset requisitions did not always include the designed review for capitalization in accordance with Rush's policy, (2) capitalized labor was not reviewed by the fixed asset department in a timely manner according to Rush's policy, (3) construction in progress was not timely reviewed to ensure fixed assets were placed in service timely, and (4) physical inventory of fixed assets was not performed according to Rush's policy.

Cause—Rush experienced turnover in the fixed asset Director and Manager roles, resulting in controls not operating as designed within Rush's fixed asset policy.

Effect—Certain immaterial prior year transactions related to capitalization, construction in progress and disposals were recorded in the current year.

Recommendation—Rush's fixed asset department reviews and ensures operation of designed controls within the fixed asset policy to prevent transactions from being timely recorded and analyzed.

Management Response –

There is a new manager of Fixed Assets with two new team members. Under the new manager's leadership, the following has since been implemented:

- Thorough review of all capital requisitions to ensure that items being classified as capital are in accordance with the policy. Enhanced discussions and education with the Purchasing team on the capital requisition forms.
- Capitalized labor is being submitted to Fixed Assets on a monthly basis. Departments have been informed that timely submission is required to allow review and proper recording.
- CIP projects are being reviewed on a more regular basis, ensuring that assets are being placed in service in a timely manner.
- Improved communication and collaboration with the Budget Office on all new capital activity requests to determine capital versus operating expense portion of the budget.
- Enforcing the documentation of disposals as it relates to new capital purchases to provide timely asset disposal and proper accounting treatment.
- There is a plan to engage a firm to conduct physical inventory of fixed assets in the spring of 2021 per the policy.

Part III—Federal Award Findings and Questioned Costs

None noted

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2020

Part II—Financial Statement Findings

None noted.

Part III—Federal Award Findings and Questioned Costs

None noted.

RUSH SYSTEM FOR HEALTH

SUPPLEMENTAL SCHEDULE—FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Reference	Primary Reserve Ratio Expendable Net Assets Financial Statement Line Item Reference	Amounts	Amounts
Consolidated Balance Sheet—Net assets without donor restrictions	Net assets without donor restrictions	$ -	$ 1,568,626
Consolidated Balance Sheet—Total net assets with donor restrictions	Net assets with donor restrictions		821,330
Note 21 to the Consolidated Balance Sheet—Related party receivable and related party note disclosure	Secured and Unsecured related party receivable	490	
Note 21 to the Consolidated Balance Sheet—Related party receivable and related party note disclosure	Unsecured related party receivable		490
Consolidated Balance Sheet—Land, buildings, and equipment—net	Land, building and equipment—net (includes Construction in progress)	1,611,645	
Note 21 to the Consolidated Balance Sheet—Land, building Equipment—preimplementation	Land, building and equipment pre-implementation		1,331,103
Note 21 to the Consolidated Balance Sheet—Land, building Equipment—post-implementation without outstanding debt	Land, building and equipment post-outstanding debt for original purchase		146,553
Note 21 to the Consolidated Balance Sheet—Land, Building Equipment—Net—Construction in progress	Construction in progress		133,989
Consolidated Balance Sheet—Lease right-of-use assets—net	Lease right-of-use asset—net	157,785	
Note 21 to Consolidated Balance Sheet—Goodwill	Intangible assets		77
Consolidated Balance Sheet—Accrued postretirement benefit obligation	Post-employment and pension liabilities		95,924
Consolidated Balance Sheet—Loans and bonds payable	Long-term debt—for long term purposes	900,160	
Consolidated Balance Sheet—Loans and bonds payable	Long-term debt—for long term purposes pre-implementation		580,252
(current year), Less Consolidated Balance Sheet—Loans and bonds payable (prior year)	Long-term debt—for long term purposes post-implementation		319,908
Consolidated Balance Sheet—Lease right-of-use of asset	Lease right-of-use asset liability	133,120	

(Continued)

RUSH SYSTEM FOR HEALTH

SUPPLEMENTAL SCHEDULE—FINANCIAL RESPONSIBILITY SCHEDULE
AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Reference	Primary Reserve Ratio Total Expenses and Losses Financial Statement Line Item Reference	Amounts	Amounts
Consolidated Statement of Operations and Changes in Net Assets—Total Operating Expenses (Total from Consolidated Statement of Activities prior to adjustments)	Total expenses without donor restrictions—taken Consolidated Statement of Operations and Changes	$ -	$ 2,745,117
Consolidated Statement of Operations and Changes in Net Assets—Without Donor Restrictions—Total operating expenses, Loss on disposal of property and equipment, Change in fair value of interest rate swap agreements, Other components of net periodic postretirement benefit cost	Non-Operating (loss)		(103,093)
Consolidated Statement of Operations and Changes in Net Assets Fundraising expenses, Debt rate lock settlement, and loss on debt refunding	Other losses		(75,570)
Consolidated Statement of Operations and Changes in Net Assets—Pension-related changes other than periodic pension	Pension-related changes other than net periodic costs		(40,445)

Financial Statement Reference	Equity Ratio Modified Net Assets Total Expenses and Losses Financial Statement Line Item Reference	Amounts	Amounts
Consolidated Balance Sheet—Net Assets Without Donor Restrictions	Net Assets Without Donor Restrictions	$ -	$ 1,568,626
Consolidated Balance Sheet—Total Net Assets With Donor	Net Assets With Donor Restrictions		821,330
Note 21 to the Consolidated Balance Sheet—Goodwill	Intangible assets		77
Note 21 to the Consolidated Balance Sheet—Related party receivable and Related party note disclosure	Secured and Unsecured related party receivables	490	
Note 21 to the Consolidated Balance Sheet—Related party receivable and Related party note disclosure	Unsecured related party receivables		490

(Continued)

SUPPLEMENTAL SCHEDULE—FINANCIAL RESPONSIBILITY SCHEDULE AS OF AND FOR THE YEAR ENDED JUNE 30, 2020

Financial Statement Reference	Equity Ratio Modified Assets Total Expenses and Losses Financial Statement Line Item Reference	Amounts	Amounts
Consolidated Balance Sheet—Total Assets	Total Assets	$ -	$ 4,891,641
Consolidated Balance Sheet—Lease right-of-use asset preimplementation	Lease right-of-use asset pre-implementation		157,785
Note 21 to the Consolidated Balance Sheet—Goodwill	Intangible assets		77
Note 21 to the Consolidated Balance Sheet—Related party receivable and Related party note disclosure	Secured and Unsecured related party receivables	490	
Note 21 to the Consolidated Balance Sheet—Related party receivable and Related party note disclosure	Unsecured related party receivables		490

Financial Statement Reference	Net Income Ratio Total Expenses and Losses Financial Statement Line Item Reference	Amounts	Amounts
Consolidated Statement of Operations and Changes in Net Donor Restrictions—Change in Net Assets	Change in Net Assets Without Donor Restrictions	$ -	$ (158,442)
Consolidated Statement of Operations and Changes in Net Assets—Without Donor Restrictions—Total operating revenues, Contributions for nonoperating purpose, Allocation of endowment income to operations, Change in value of split interest agreements, Other nonoperating activities, Net assets released from restriction, Postretirement benefit plan related changes, other than net periodic postretirement benefit cost	Total Revenues and Gains Without Donor Restrictions		2,656,593

(Concluded)