



# Rush University System for Health

**Annual Report  
For Fiscal Year Ended June 30, 2021  
Audited**

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Rush Copley Medical Center  
Rush Oak Park Hospital  
Rush University Medical Center  
Rush University

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## **CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION IN THIS QUARTERLY REPORT**

Certain statements included or incorporated by reference in this Annual Report constitute “forward-looking statements.” Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “budget,” or other similar words.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVES KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE OBLIGATED GROUP DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN THE EXPECTATIONS, OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

### **VOLUNTARY INFORMATION REGARDING THE IMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL CONDITION**

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 followed IDPH guidelines and began the process of performing such elective and non-emergency procedures. Management continues to monitor the 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.

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. CARES payments of \$61.2 and \$86.0 million were recorded as other revenue in the consolidated statements of operations and changes in net assets during the years ended June 30, 2021 and 2020, respectively. In fiscal year 2020, 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. During fiscal year 2021, RUSH has paid back \$39.2 million of advanced payments from Medicare and \$192.5 remains outstanding as of June 30, 2021. Of this amount, \$149.4 million is estimated to be repaid in fiscal year 2022 and is recorded within estimated third-party settlements and advances payable. The remaining \$43.0 will be repaid in fiscal year 2023 and is recorded within other long-term liabilities in the consolidated balance sheet.

As of October 8, 2021, the Johns Hopkins University Corona Virus Resource Center Tracker reported the United States to have the largest number of confirmed cases at approximately 44.4 million. Of the United States counties, Cook County, Illinois has the fourth largest number of confirmed cases at approximately 625,647. RUSH continues its efforts to mitigate the financial impacts as it works to increase elective surgical cases and manage non-COVID related expenses. During fiscal year 2021, volumes returned to pre-pandemic levels in August 2020 and have remained relatively consistent since then.

RUSH continues to work with local and city officials to deliver the COVID-19 vaccine to our community, patients and employees, following the guidelines outlined by the state and local departments of public health.

## **PURPOSE OF THE ANNUAL REPORT**

The purpose of this Annual Report is to present certain financial and operating information for the RUSH Obligated Group as defined below, for fiscal years ended June 30, 2021 and 2020 and management's discussion and analysis of the RUSH Obligated Group's financial condition and results of operations for fiscal year ended June 30, 2021. This report also provides insights on the quality of earnings reported, significant balance sheet assumptions used and any changes in assumptions used, risks to the balance sheet and statement of operations, and the impact of anticipated future events.

Effective March 1, 2017, Rush University Medical Center ("RUMC") and Rush Copley Medical Center ("RCMC") reorganized their operations under a common corporate parent, Rush System for Health, d/b/a Rush University System for Health (the "System Parent"). The System Parent, together with its various wholly-owned or ultimately controlled subsidiaries, collectively comprise the integrated academic health system referred to herein as "RUSH". RUSH is led by a 13-member board of trustees (the "System Parent Board"), responsible for overseeing the vision and strategy of RUSH. The System Parent, RUMC, RCMC, Rush Oak Park Hospital ("ROPH") and Copley Memorial Hospital ("CMH"), Rush Copley Foundation ("Copley Foundation"), Copley Ventures and Rush Copley Medical Group ("RCMG") comprise the "RUSH Obligated Group" (or the "Obligated Group") pursuant to the Master Trust Indenture, dated as of May 29, 2020 as amended and as entered into by each member of the RUSH Obligated Group ("the Master Trust Indenture").

The financial and operating data in this Quarterly Report continues to be presented on a consolidated basis for this report. Consolidating schedules for RUSH are included on pages 38 - 40 of this report. For fiscal year ended June 30, 2021, the Obligated Group members constituted approximately 99.2% of the total revenue of RUSH. See "INTRODUCTION OF RUSH - PRESENTATION OF FINANCIAL INFORMATION" below for additional information.

This report includes the consolidated activities and results of the Obligated Group. The primary activities and consolidated results of this report include the hospitals, Rush University education and research activities, Rush University Medical Group ("RUMG"), RUMC's faculty practice plans, and other physician practice activity as well as other operating activities.

## OFFICER'S CERTIFICATE

The undersigned duly appointed and Senior Vice President and Chief Financial Officer of Rush University Medical Center and Rush University System for Health, as the Group Representative pursuant to the Master Continuing Disclosure Agreement dated as of February 1, 2015 between the Group Representative, on behalf of itself and the other members of the Obligated Group, and Digital Assurance Certification, L.L.C., as Dissemination Agent (Dissemination Agent), hereby certifies as follows:

1. **Definitions.** Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Continuing Disclosure Agreement.
2. **Annual Report.** Accompanying this Annual Report Certificate is the Annual Report for fiscal year ended June 30, 2021.
3. **Compliance with Master Continuing Disclosure Agreement.** The Annual Report is being delivered to the Dissemination Agent herewith not later than the one-hundred twentieth (120<sup>th</sup>) day following the end of such fiscal year which is the applicable Annual Report Date for purposes of such Annual Report. The Annual Report contains, or includes by reference, the Financial Information and Operating Data required by the Master Continuing Disclosure Agreement. The Financial Information and Operating Data include information with respect to the Obligated Persons identified in Schedule 1 hereto, and such Obligated Persons constitute all of the Obligated Persons with respect to the Related Bonds for the fiscal year covered by the Annual Report. To the extent any information is included in the Annual Report by reference, any document so referred to has been previously provided to the Repositories or filed with the SEC or, in the case of a reference to a Final Official Statement, has been filed with the MSRB.

Such Financial Information and Operating Data have been prepared on the same basis as the most recently prepared Audited Financial Statements.

**IN WITNESS WHEREOF** the undersigned has executed and delivered this Annual Report Certificate to the Dissemination Agent, which has received such certificate and the Annual Report, all as of the 28<sup>th</sup> day of October 2021.

**RUSH UNIVERSITY MEDICAL CENTER**

As Group Representative



By: \_\_\_\_\_

Patricia S. O'Neil

Its: Senior Vice President and Chief Financial Officer

Acknowledgment of Receipt:

Digital Assurance Certification (DAC)

As Dissemination Agent

By:

Shana Blanchard

Its: Client Service Manager, Deputy Director

## **OBLIGATED PERSONS**

1. Rush University Medical Center (“RUMC”)
2. Rush Oak Park Hospital (“ROPH”)
3. Copley Memorial Hospital, Inc. (“CMH”)
4. Rush Copley Medical Center (“RCMC”)
5. Rush Copley Foundation (“Copley Foundation”)
6. Copley Ventures, Inc. (“Copley Ventures”)
7. Rush Copley Medical Group NFP (“RCMG”)
8. Rush University System for Health (“System Parent”)

## Selected Financial Results and Other Information

The selected financial data for fiscal year ended June 30, 2021 and 2020 are derived from audited consolidated financial statements of the Obligated Group. The audited consolidated financial statements include all adjustments, including normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of the annual Obligated Group results:

*(Dollars in thousands)*

**Check % going right**

<b>Financial Results for the Obligated Group</b>	<b>Fiscal Year Ended June 30, 2021</b>	<b>Fiscal Year Ended June 30, 2020</b>	<b>Impact</b>	
Total operating revenue	\$ 2,997,444	\$ 2,655,888	\$ 341,556	12.9%
Total operating expenses (1)	2,874,621	2,732,632	(141,989)	-5.2%
Operating income (2)	122,823	(76,744)	199,567	260.0%
Non-operating income (expense)	192,235	(103,093)	295,328	286.5%
Excess of revenue (loss) over expenses	315,058	(179,837)	494,895	275.2%
Operating Cash Flow Margin	304,991	108,366	196,625	181.4%

<b>Selected Obligated Group Cash Flow Information for the</b>	<b>Fiscal Year Ended June 30, 2021</b>	<b>Fiscal Year Ended June 30, 2020</b>	<b>Impact</b>	
Net cash provided by operating activities	\$ 425,261	\$ 306,537	\$ 118,724	38.7%
Changes in operating assets and liabilities	176,722	329,173	(152,451)	46.3%
Capital expenditures	(172,554)	(220,031)	47,477	21.6%

<b>Selected Obligated Group Balance Sheet Information as of</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>	<b>Impact</b>	
Unrestricted cash and investments	\$ 2,161,836	\$ 1,800,840	\$ 360,996	20.0%
Restricted cash and investments	923,743	696,901	226,842	32.6%
Accounts receivable for patient services	364,311	348,019	16,292	4.7%
Net property and equipment	1,618,770	1,611,191	7,579	0.5%
Obligated Group indebtedness	937,510	1,028,682	91,172	8.9%
Postretirement and pension benefits	92,941	95,924	2,983	3.1%
Net assets without donor restrictions	1,978,159	1,567,468	410,691	26.2%

Note 1: Refer to ‘Significant Nonrecurring Items’ on page 20 of this Annual Report for a listing of items impacting the Obligated Group’s reported operating income for fiscal year ended June 30, 2021 and 2020.

Note 2: Operating income includes Stimulus Funding of \$61.2 and \$86.0 million through fiscal year ended June 30, 2021 and 2020.



## Financial Ratios – Obligated Group

	AUDITED	AUDITED FISCAL YEAR			TARGET
	Fiscal Year Ended				
	June 30, 2021	2020	2019	2018	Moody's "A" Median 2020 (2)
	Actual	Actual	Actual	Actual	
<b>Operating Performance:</b>					
Adjusted Operating Margin - Excluding pension settlement expense (4)	N/A	N/A	2.2%	N/A	1.4%
Operating Margin	4.1%	-2.9%	1.3%	3.9%	1.4%
Excess Margin (1) (4)	5.6%	-1.7%	3.3%	4.2%	4.8%
Operating Cash Flow Margin (4)	10.2%	4.1%	8.0%	10.1%	7.6%
<b>Liquidity:</b>					
Days Cash on Hand (4)	289.5	255.9	195.5	214.3	261.4
Days in Patient Accounts Receivable	51.6	57.0	61.9	56.8	46.3
<b>Financial Position / Debt Capacity:</b>					
Debt to Capitalization	32.2%	39.6%	28.5%	29.9%	31.7%
Debt to Cash Flow (1) (4)	2.9	9.4	3.2	3.1	3.0
Cash to Debt	230.6%	175.1%	188.8%	184.7%	200.8%
Maximum Annual Debt Service Coverage (1) (3) (4)	5.6x	2.1x	5.2x	5.4x	4.4x
Annual Debt Service Coverage (1) (3) (4)	7.5x	3.1x	5.7x	6.0x	5.2x
Average Age of Plant in Years	12.5	11.1	12.6	11.9	11.8
Capital Spending Ratio	1.2	1.4	1.5	1.5	1.2

Note 1: Net income excludes unrealized gains and losses on unrestricted investments, change in fair value of interest rate swaps still outstanding, nonoperating loss on impairment of assets, loss on early extinguishment of debt, and pension settlement expense.

Note 2: As published by Moody's Investor Services, Fiscal Year 2020 Not-for-Profit Health care Medians for Freestanding Hospitals, Single-State and Multi-State Healthcare Systems, September 2021.

Note 3: Net revenue available for debt service excludes net gains and losses on sales, a component of nonoperating income, which is consistent with the Obligated Group debt covenant calculation.

Note 4: In fiscal year 2019, RUMC and ROPH offered an early retirement opportunity ("ERO") to certain eligible employees. The ERO created a \$23.2 million pension settlement expense, which is excluded from total operating expenses above. RUMC and ROPH also paid \$13.1 million in severance to ERO participants, which is included in total operating expenses within salaries and benefits.

## INTRODUCTION

This Annual Report contains information concerning the RUSH Obligated Group, which comprises Rush System for Health d/b/a Rush University System for Health (the “System Parent”) and its various wholly owned or ultimately controlled subsidiaries (together with the System Parent, collectively, “RUSH”). RUSH shares a common mission across entities to improve the health of the individuals and diverse communities it serves through the integration of outstanding patient care, education, research and community partnerships.

## RUSH

Effective March 1, 2017, after 30 years of collaboration as members of the same Obligated Group, Rush University Medical Center (“RUMC”) and Rush Copley Medical Center (“RCMC”) entered into a reorganization agreement to fully integrate their operations under the System Parent, forming RUSH. RUSH comprises: (i) RUMC, RCMC and Rush Oak Park Hospital (“ROPH”), each of which owns and operates a hospital (the “Hospitals”), (ii) numerous outpatient care facilities throughout the Chicagoland area, (iii) Rush University, a health sciences university with more than 2,800 students comprised of Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College and (iv) Rush Health, RUSH’s physician hospital organization and clinically integrated network, which includes the Hospitals, Riverside Health System in Kankakee and more than 2,200 affiliated providers. As of June 30, 2021, RUSH included 3 hospitals, 1,043 staffed beds, and 858 employed physicians.

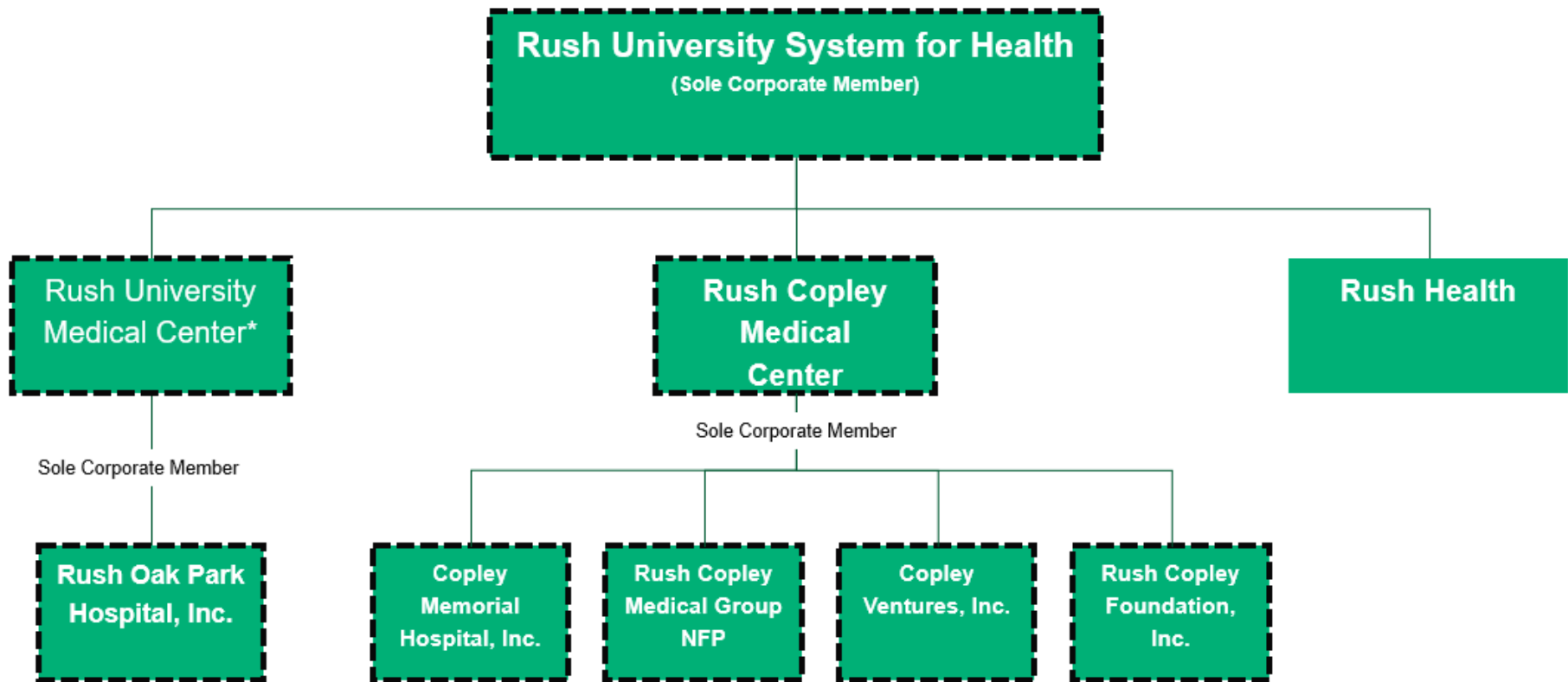
### **The Obligated Group**


The System Parent and certain of its affiliates are members of the RUSH Obligated Group created under the Master Trust Indenture, as described herein. The entities listed as “Obligated Persons” on page 4 of this Report are the only members of the RUSH Obligated Group and are the only entities that have any liability or obligation under the Master Trust Indenture.

Rush Health and Riverside Health System are not members of the RUSH Obligated Group and do not have any liability with respect to the Master Trust Indenture. The Obligated Group members have other affiliates, joint ventures and investments in other organizations which are not members of the RUSH Obligated Group and which do not have any liability with respect to the Master Trust Indenture. These organizations primarily operate inpatient and outpatient health and related services that support the operations of the RUSH Hospitals and the mission of RUSH. In addition, joint ventures and investments, although not members of the Obligated Group, are accounted for in the RUSH financial statements using the equity method or are consolidated depending upon the control exercised by the RUSH Obligated Group.

### **Organizational Chart**

The chart on the following page reflects the corporate organizational structure of RUSH, excluding joint ventures and other affiliated for-profit companies which are disregarded from a federal tax accounting perspective. The entities shown are all members of the Obligated Group other than Rush Health.



 = Member of the Obligated Group

\*Includes Rush University

## **Vision, Mission and Imperatives**

RUSH's vision is to be the leading academic health system in the region and nationally recognized for transforming health care. The mission of RUSH is to improve the health of the individuals and diverse communities it serves through the integration of outstanding patient care, education, research and community partnerships. RUSH's core "I CARE" values — Innovation, Collaboration, Accountability, Respect and Excellence — are the roadmap to its mission and vision.

Excellence at RUSH comes from its singular focus to improve health for all. Across its three hospitals, integrated health sciences university and more than 30 care locations, everything at RUSH is built around this commitment.

RUSH is a learning health care system with research, education, training and excellent clinical care rooted in its values. With this foundation, RUSH is building cutting-edge capacity and an outstanding, best-in-class workforce trained to provide the right care, in the right place, at the right time. Fully leveraging these resources will deliver what matters most to patients: the best value and the best outcomes for the best life.

## **Presentation of Financial Information**

Although the System Parent and the other Obligated Persons listed on page 4 of this report are currently the only members of the RUSH Obligated Group under the Master Trust Indenture, the System Parent controls directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in RUSH consolidated financial statements included in appendix hereto. Such non-member joint ventures and investment entities are accounted for in RUSH audited consolidated financial statements using the equity method of accounting or are consolidated depending upon the control exercised by the applicable Obligated Group member. Further, the information describing the financial condition of RUSH contained in this Annual Report includes information with respect to these entities which are not Obligated Group members. For fiscal year ended June 30, 2021, these non-member entities constituted approximately 0.8% of total revenue of RUSH.

## **Obligated Group Members**

***Rush University System for Health*** – The System Parent is the sole corporate member (with reserved powers over the operations) of RUMC, RCMC and Rush Health and oversees all entities that comprise RUSH.

***Rush University Medical Center*** – RUMC owns and operates an academic medical center located in Chicago, Illinois. Major operations of RUMC include Rush University Hospital ("RUH"), Rush University and Rush University Medical Group ("RUMG"). The hospital operations of RUMC are licensed by the State of Illinois to operate 727 beds and includes the Johnston R. Bowman Health Center, which provides medical and rehabilitative care to older adults and people with short- and long-term disabilities, and Rush University Children's Hospital. According to COMPdata, RUMC is the third largest hospital provider in the eight county Chicago metropolitan area as measured by market share. RUMC is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

***Rush Oak Park Hospital, Inc.*** – ROPH owns and operates a 185 licensed bed acute care facility located approximately eight miles west of RUMC in Oak Park, Illinois. Effective June 30, 2014, ROPH became a member of the Obligated Group. ROPH is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

***Rush Copley Medical Center*** – RCMC is the sole corporate member (with reserved powers over the operations) of the other Copley members of the Obligated Group (a description of each as follows). RCMC supports the other Copley members by providing administrative, management and related services. RCMC is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

***Copley Memorial Hospital, Inc.*** – Copley owns and operates an acute care hospital located approximately 35 miles west of RUMC in Aurora, Illinois. Copley is licensed by the State of Illinois to operate 210 beds, all of which are currently staffed. Copley is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

**Rush Copley Foundation** – Copley Foundation solicits contributions to support health care activities in RCMC’s service area, including, but not limited to, those of RCMC. Copley Foundation is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

**Copley Ventures, Inc.** – Copley Ventures holds title to property for rental purposes. Copley Ventures is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code.

**Rush Copley Medical Group NFP** – The Medical Group owns, operates, controls and otherwise coordinates the activities of physician practice health and medical services and provides certain physician billing and administrative services. The Medical Group is an Illinois not for profit taxable corporation.

## **Non-Obligated Group Members**

Rush Health, an Illinois not for profit corporation, was established in 1994 for the purpose of contracting and administering various contracts with certain managed care organizations, marketing and improving clinical processes and outcomes through the integration and coordination of high-quality, patient-focused, cost-effective health care products and services meeting the needs of the patient, employer, community and the provider. Rush Health has evolved into RUSH’s physician hospital organization and clinically integrated network. Members currently include RUMC, ROPH, RCMC, Riverside Health System and more than 2,200 affiliated providers (1,792 affiliated physicians and 470 Advance Practice Providers). Rush Health manages more than \$2.3 billion in net patient services revenues and has approximately 130,000 lives covered under a variety of commercial and governmental value-based care arrangements.

Rush Health also operates a subsidiary company, Rush Health ACO, which holds an MSSP contract. All Rush Health providers are participants in the Rush Health ACO.

## **RUSH Service Area**

RUSH serves the greater eight-county Chicago metro area, which has an estimated population of almost nine million people. This market area encompasses Cook, DuPage, Kane, Kankakee, Kendall, McHenry, Lake and Will counties.

## **Governance**

On March 1, 2017, RUMC and RCMC reorganized their operations under a newly constituted System Parent Board of Trustees (the “System Parent Board” or the “Board”). The Board, established to facilitate nimble, centralized and shared governance over key strategic and threshold matters, is comprised of 13 Trustees (“Trustees”), 10 of which are members of the board of RUMC and three of which are members of the board of RCMC. The System Parent Board has certain reserved powers aimed to ensure RUSH meets the commitments of its mission and supports the continued pursuit of the RUSH vision. Local subsidiary boards at RUMC, RCMC and ROPH have been maintained to support community-focused, patient prioritized governance of Hospital and ambulatory care initiatives. RUSH deems these subsidiary boards critical to system-wide success, as the local leadership and local board of each Hospital best know their communities and understand their unique needs. RUSH’s governance structure and management style rely on, support and respect this expertise.

## **Medical Staff**

Each Hospital has a separate medical staff. The members of each medical staff are appointed by the board of each Hospital in accordance with the appointment and reappointment procedures in the respective medical staff bylaws and according to the respective Hospital’s governance procedures. The categories of membership for each Hospital’s medical staff are determined by each Hospital’s medical staff bylaws. As of June 30, 2021, RUSH’s medical staff consists of 858 employed physicians.

## **Recognition**

In October 2020, all three Rush hospitals have achieved Magnet status, the highest recognition a hospital can receive for nursing excellence, with Rush University Medical Center receiving its fifth consecutive designation last fall, Rush Oak Park Hospital receiving its second designation earlier this year and Rush Copley Medical Center receiving their designations earlier this year. The

Medical Center is the only hospital in Illinois providing care to both adults and children to have achieved Magnet status five times and was the first hospital for adults and children in the state to achieve Magnet status.

In July 2021, for the second year in a row, Rush University Medical Center has earned a place on U.S. News & World Report's annual Best Hospitals Honor Roll. Of the more than 3,000 U.S. hospitals evaluated, Rush University Medical Center ranked No. 19 in the nation, with nine of Rush specialties rated among the country's very best and three ranked first in Illinois. To put this achievement in perspective, only about 4.5% of evaluated hospitals receive high enough scores to rank nationally in even one specialty.

In April 2021, RUMC earned the highest marks possible with an A from the Leapfrog Group and five stars from the Centers for Medicare & Medicaid Services.

All three Rush hospitals received high marks for quality and patient experience from the Centers for Medicare & Medicaid Services, with Rush University Medical Center and Rush Oak Park Hospital earning five-star ratings, the highest designation, and Rush Copley Medical Center earning four stars.

## **THE HOSPITALS and University**

### **Rush University Medical Center**

#### **History and Background**

Major operations of RUMC include RUH, RUMG and Rush University, a graduate health sciences university that educates students in health related fields and houses Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College.

#### **Location**

RUMC is located on the west side of Chicago, Illinois. RUMC operates in the eight county area which includes the City of Chicago and surrounding counties. The clinical and academic facilities of RUMC are primarily located on approximately 33 acres in the northeast portion of the Illinois Medical District ("IMD"), which consists of 560 acres on the near west side of Chicago.

#### **Service Area and Competition**

RUMC considers its service area to be the eight counties surrounding and including the City of Chicago. The eight county market area encompasses Cook, DuPage, Kane, Kankakee, Kendall, McHenry, Lake and Will counties. RUMC is the fourth largest inpatient hospital provider in this market area, with a market share of 3.6% for the fiscal year ended June 30, 2021, up from 3.4% in June 30, 2020. RUMC was the first in Bone and Joint, second in Cancer and Neuroscience and fourth in the market in heart services and transplant.

RUMC's primary service area ("PSA") consists of 61 ZIP codes that surround the RUMC main campus. These ZIP codes were responsible for 58.0% and 56.9% of RUMC's total discharges in fiscal year 2021 and 2020, respectively.

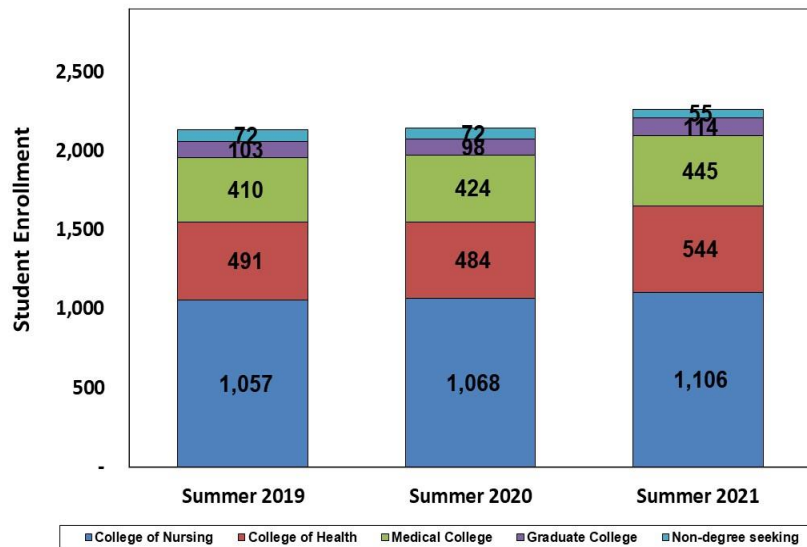
RUMC considers its principal, but not exclusive, competition to be the four other academic medical centers in the Chicago metropolitan area. In addition, there are several large institutions in the area that provide certain tertiary levels of care which are also provided by RUMC and numerous community hospitals that provide primary and secondary levels of care which are also provided by RUMC. The four academic medical centers are Northwestern Memorial Hospital, University of Chicago Hospitals & Health System, Loyola University Medical Center and the University of Illinois at Chicago Medical Center.

### **Rush University**

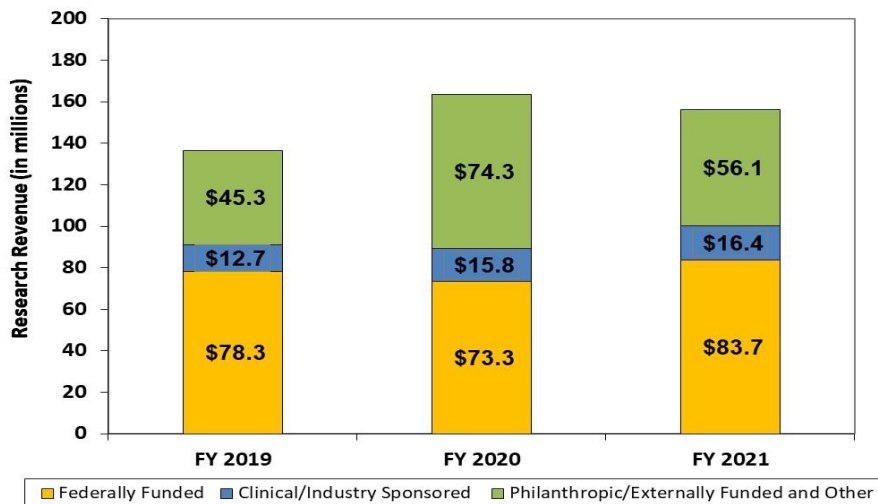
Rush University, which includes Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College, was established in 1972 as the higher education component of RUMC. The antecedent to Rush University dates from 1837

when Rush Medical College was founded, two days before the city of Chicago was chartered. Rush Medical College graduated 10,976 physicians before suspending operations in 1942. It was reactivated in 1969.

Revenue consists mainly of tuition revenue. Expenses are those instructional expenses required to educate the students. Enrollment continues to grow with total enrollment in the four colleges of 2,264 students in the summer of 2021. Total summer enrollment for 2019, 2020 and 2021 in Rush University is shown on the following table.



For fiscal years ended June 30, 2021 and 2020, RUMC research reported an excess of expenses over revenue of \$36.2 million and \$32.1 million, respectively, which was supported from operating income. The breakdown of research revenue can be seen in the chart below for the last three fiscal years.



## **Rush Copley Medical Center**

### **History and Background**

Copley Memorial Hospital, which operates as Rush Copley Medical Center, has served the health care needs of the greater Aurora community since 1886 when it began operations as the Aurora City Hospital. In 1995, Copley opened a new acute care hospital and closed its previously existing facility. RCMC is a full service community hospital offering a comprehensive range of inpatient and outpatient services. In addition to traditional community hospital services, RCMC also provides more sophisticated services including an inpatient rehabilitation unit, cardiovascular surgery, a cancer center with two linear accelerators and stereotactic radiosurgery, gynecologic oncology, neurosurgical services, a movement disorders program, a neuro intensive care unit, and a neonatal intensive care unit.

### **Location**

RCMC is located approximately 35 miles west of RUMC in Aurora, Illinois. The clinical facilities are located primarily on a 98-acre campus serving Aurora and the greater Aurora community, including most of southern Kane County and Kendall County.

### **Service Area and Competition**

RCMC's PSA is located almost wholly in southern Kane County and Kendall County, as well as parts of DuPage, DeKalb, LaSalle, Grundy, and Will counties and is comprised of Aurora and communities to the west of Aurora including Montgomery, Oswego, Sugar Grove, Yorkville and a number of other rural communities in Kendall County.

## **Rush Oak Park Hospital**

### **History and Background**

Opened in 1907 by the Sisters of Misericordia, ROPH was the first hospital in the area. ROPH historically was affiliated with Wheaton Franciscan Services, Inc. In 1997, RUMC assumed full management of hospital operations, bringing its comprehensive services, programs and physicians to ROPH and in 2014 RUMC became the sole corporate member of ROPH. The ROPH campus includes the Breast Center, a state-of-the-art Interventional Radiology and Surgical suites, a comprehensive Center for Diabetes and Endocrine Care with an American Diabetes Association-Recognized Education Program and board-certified endocrinologists, a new emergency department, and a busy Multispecialty Clinic with providers from Rush University Medical Group.

### **Location**

ROPH is located approximately eight miles west of RUMC in Oak Park, Illinois. Oak Park is a village adjacent to the west side of the city of Chicago in Cook County, Illinois.

### **Service Area and Competition**

ROPH has been a key health care provider in the Oak Park and River Forest community for more than 100 years. As a foundational location within RUSH, ROPH combines the convenience and personal touch of a community hospital with the technology and expertise of a major academic health system.

ROPH is a full service community hospital offering a comprehensive range of inpatient and outpatient services. In addition to traditional community hospital services, ROPH also provides comprehensive diabetes care, orthopaedics and a Rush Radiation Therapy Center.



## SUMMARY OF HISTORICAL UTILIZATION AND FINANCIAL INFORMATION

### Historical Utilization of Services

The following tables summarize certain consolidated historical utilization statistics for the Obligated Group for fiscal years ended June 30, 2021 and 2020.

#### Historical Utilization of Services

	Fiscal Year Ended	
	June 30,	
	<u>2021</u>	<u>2020</u>
Beds:		
Licensed	1,122	1,138
Staffed	1,043	988
Utilization Statistics:		
Admissions	49,717	46,551
Patient Days	253,373	239,825
Average length of stay	5.10	5.15
Adjusted Discharges	113,362	99,556
Occupancy:		
RUMC	71.6%	70.4%
ROPH	31.4%	47.8%
RCMC	<u>78.1%</u>	<u>63.9%</u>
Obligated Group	66.6%	66.3%
Emergency Room Visits:	165,614	172,032
Surgical Procedures:		
Inpatient	15,907	15,733
Outpatient	<u>41,301</u>	<u>29,931</u>
Total	57,208	45,664

### Summary of Revenues and Expenses

The selected financial data for fiscal years ended June 30, 2021 and 2020 are derived from audited consolidated financial statements of RUSH. The audited consolidated financial statements include all adjustments, including normal recurring accruals, which RUSH considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of quarterly results:

RUSH currently files annual reports and certain other disclosures on the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

### Operating Results

The operating results of the Obligated Group for fiscal years ended June 30, 2021 and 2020 were as follows:

## Summary of Statement of Operations - Obligated Group

<i>(In thousands)</i>	<b>Fiscal Year Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Patient service revenue	\$ 2,574,590	\$ 2,233,576
Other operating revenue	422,854	422,312
Total operating revenue	2,997,444	2,655,888
Salaries, wages and employee benefits	1,505,427	1,416,583
Supplies, utilities and other	899,939	808,827
Professional liability and other insurance	70,448	66,075
Purchased services	216,639	256,037
Depreciation and amortization	149,136	156,706
Interest	33,032	28,404
Total operating expenses	2,874,621	2,732,632
Operating income (loss)	122,823	(76,744)
Non-operating income (expense)	192,235	(103,093)
Excess of revenue over expenses	\$ 315,058	\$ (179,837)

<sup>(1)</sup> Net patient service revenue is net of implicit and explicit price concessions for fiscal years ended June 30, 2021 and 2020.

### Liquidity

The following table sets forth the Obligated Group's liquidity, namely unrestricted cash and cash equivalents and marketable securities, which include investments designated for capital purposes and includes Medicare Advance and Accelerated Payments of \$192.5 and \$231.7 million, respectively, for fiscal years ended June 30, 2021 and June 30, 2020. Excluded from liquidity are investments limited as to use for donor purposes, interest in collateral pools, trust assets limited for use to the self-insurance program and debt service reserve funds.

<i>(In thousands)</i>	<b>Fiscal Year Ended</b>	
	<b>June 30,</b>	
	<b>2021</b>	<b>2020</b>
Unrestricted cash and cash equivalents	\$ 422,915	\$ 559,779
Unrestricted marketable securities	1,738,921	1,241,061
Total unrestricted cash and marketable securities	2,161,836	1,800,840
Total operating expenses	2,874,621	2,732,632
Depreciation and amortization	149,136	156,706
Total operating expenses less depreciation, amortization and pension settlement	\$ 2,725,485	\$ 2,575,926
Days cash on hand	289.5	255.9

### Capitalization

The following table reflects the Obligated Group's historical long-term indebtedness as a percentage of total capitalization for fiscal years ended June 30, 2021 and 2020:

## Historical Long-Term Capitalization

<i>(In thousands)</i>	Fiscal Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Long-term debt	\$ 934,018	\$ 986,935
Capital leases and other financing arrangements	3,492	41,747
Total debt	937,510	1,028,682
Net assets without donor restrictions	1,978,159	1,567,468
Total Capitalization	\$ 2,915,669	\$ 2,596,150
Capitalization Ratio	32.2%	39.6%

### Sources of Revenue

The majority of revenue received by RUSH is attributable to billed services provided to its patients. The payments made on behalf of these patients are from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance carriers with no negotiated contract and directly from patients.

The following is a summary of gross patient service revenue payor mix for fiscal years ended June 30, 2021 and June 30, 2020:

### Sources of Gross Patient Service Revenue - Obligated Group

	Fiscal Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Medicare	29.8 %	30.8 %
Medicare Managed Care	9.4	8.0
Medicaid	2.8	4.2
Medicaid Managed Care	18.3	16.1
Blue Cross	23.9	23.7
Managed Care	12.7	13.4
Commercial & Self-Pay	3.2	3.8
Total	100.0 %	100.0 %

In October 2013, CMS approved the Enhanced Illinois Hospital Assessment Program which provides for additional Medicaid payments and a tax assessment for Illinois hospitals based on outpatient gross revenues, collectively referred to along with the existing program as the “Hospital Assessment Program,” which was retroactive to June 2012. Effective July 1, 2018, the State of Illinois and CMS approved a redesign of the Hospital Assessment Program, but has not had a material impact on RUSH from the previous program. The combined Hospital Assessment Program’s impact on the Consolidated Statements of Operations during fiscal years ended June 30, 2021 and 2020:

## Illinois Hospital Assessment Program Impact

<i>(In thousands)</i>	Fiscal Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Patient service revenue	\$ 123,248	\$ 106,576
Supplies, utilities and other expense	72,019	63,414
Operating income	<u>\$ 51,229</u>	<u>\$ 43,162</u>

### Debt Service Coverage

The following tables sets forth the actual maximum annual debt service coverage on the Indebtedness of the Obligated Group for the fiscal years ended June 30, 2021 and 2020:

<i>(In thousands)</i>	Fiscal Year Ended June 30,	
	<u>2021</u>	<u>2020</u>
Excess of revenues over expenses	\$ 315,058	\$ (179,837)
Exclude certain special items:		
Change in fair value of interest rate swaps	4,668	(3,896)
Loss on extinguishment of debt	-	(75)
Unrealized gain on trading securities	141,604	(63,722)
Net gain on sales	(1,553)	(25,006)
Pension settlement expense	-	(40,445)
Net Income, excluding special items	170,340	(46,693)
Depreciation and amortization	149,136	156,706
Interest	33,032	28,404
Income available for debt service	\$ 352,508	\$ 138,417
Maximum Annual Debt Service Requirement	62,797	66,839
Maximum Annual Debt Service Coverage Ratio	5.6	2.1

### Recent Financial Performance – Fiscal Years Ended June 30, 2021 and 2020

**Drivers of Performance – Operating Revenue** – Operating revenue for RUSH increased by \$342.5 million or 12.9% from the fiscal year ended June 30, 2020 to the fiscal year ended June 30, 2021. The largest contributor to operating revenue is patient service revenue in the hospitals contributing 72.1% of operating revenue for fiscal year ended June 30, 2021.

## RUSH Revenue Sources

	Fiscal Year Ended June 30,			
	2021		2020	
	Operating Revenue	% of Total	Operating Revenue	% of Total
Patient Service Revenue:				
Hospitals	\$ 2,162,339	72.1%	\$ 1,875,305	70.6%
Physician Practice Plans	412,249	13.7%	358,248	13.5%
University Services:				
Research	155,870	5.2%	164,949	6.2%
Education (*)	87,235	2.9%	81,530	3.1%
Other Operating Activities	181,368	6.1%	176,561	6.6%
Total	\$ 2,999,061	100.0%	\$ 2,656,593	100.0%

\* Includes the Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College.

Patient service revenue for the hospitals and physician practice plans combined increased by \$341.0 million or 15.3% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021.

**Reimbursement Environment and Payer Mix** – Revenue for the hospitals includes payments from government programs such as Medicare and Medicaid, from managed care companies under negotiated contracts, from commercial insurance companies with no negotiated contract, and directly from patients. Governmental payers accounted for 60.2% and 59.1% of the Obligated Group’s gross patient service revenues for fiscal years ended June 30, 2021 and 2020, respectively. There have been modest increases in Medicare reimbursement in the last several years. Effective July 1, 2014, Medicaid reformed and updated its payment system. While the Obligated Group was among several Illinois facilities which would have seen reimbursement decreases due to this change, Medicaid committed to making transitional payments to hold hospitals harmless through June 2018. The State of Illinois and the Centers for Medicare and Medicaid Services (CMS) approved a redesign of the Hospital Assessment Program effective July 1, 2018. The redesign has not had a material impact on the Obligated Group from the previous program.

The Obligated Group is currently seeing a shift in its traditional payer mix of patients. In an effort to reduce the number of uninsured patients, the ACA provided for the creation of Health Insurance Exchanges (“HIX”) and the expansion of Medicaid coverage for adults. This has resulted in increased hospital volume under new Blue Cross HIX plans as well as an increase in the overall Medicaid patient mix. Additionally, the number of self-pay patients has decreased slightly. The State of Illinois has moved a significant portion of its Medicaid population to Managed Care plans. Consequently, the Obligated Group has seen a marked increase in Medicaid Managed Care mix with a concurrent drop in traditional Medicaid.

The mix of patient service revenue, recognized during the years ended June 30, 2021 and 2020, by major payor source and by lines of business was as follows:

**June 30, 2021**

	<b>RUH</b>	<b>ROPH</b>	<b>CMH</b>	<b>Physician Groups</b>	<b>Clinical Joint Ventures &amp; Other</b>	<b>TOTAL</b>	
Medicare	337,984	35,167	86,770	57,389	17,514	534,824	20.8%
Medicare Managed Care	85,077	11,452	34,517	11,734	-	142,780	5.5%
Medicaid	44,718	1,437	7,263	10,854	3,698	67,970	2.6%
Medicaid Managed Care	226,402	16,963	40,143	34,851	17,127	335,486	13.0%
Managed care	240,290	26,766	72,408	76,818	27,677	443,959	17.2%
Blue Cross	535,016	42,359	119,066	81,539	19,272	797,252	31.0%
Commercial, self-pay, and other	175,767	24,697	20,698	19,147	12,011	252,320	9.8%
<b>Total</b>	<b>\$ 1,645,254</b>	<b>\$ 158,841</b>	<b>\$ 380,865</b>	<b>\$ 292,331</b>	<b>\$ 97,299</b>	<b>\$ 2,574,590</b>	<b>100.0%</b>

**June 30, 2020**

	<b>RUH</b>	<b>ROPH</b>	<b>CMH</b>	<b>Physician Groups</b>	<b>Clinical Joint Ventures &amp; Other</b>	<b>TOTAL</b>	
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%
<b>Total</b>	<b>\$ 1,467,421</b>	<b>\$ 132,775</b>	<b>\$ 325,007</b>	<b>\$ 239,983</b>	<b>\$ 68,390</b>	<b>\$ 2,233,576</b>	<b>100.0%</b>

**Physician Practice Plans** – Total patient service revenue from the physician practice plans increased \$54.0 million or 15.1% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021 mainly due to increased volumes. Specifically, RUMC celebrated a major achievement of one million ambulatory visits for the first time in any fiscal year. In addition to a total of 1,038,226 visits this past year, RUMG has seen 27% growth in the last three years coupled with 37% growth in new patients. Many areas have seen more than 50% growth in the last three years.

**Other Operating Revenue** – Other operating revenue represented 6.1% of total operating revenue for fiscal year ended June 30, 2021 and increased \$4.8 million or 2.7% from fiscal year ended June 30, 2020. Other operating revenue consists primarily of external funding for research and internal fund support to research (37%), tuition and educational grants (21%) and other non-patient care service activities including stimulus funds (42%).

**Drivers of Performance – Operating Expense** – Operating expenses increased by \$146.3 million or 5.3% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021. Operating costs as a percentage of operating revenue for fiscal years ended June 30, 2021 and 2020 were as follows:

## RUSH Operating Costs as a Percentage of Operating Revenue

	Fiscal Year Ended	
	June 30,	
	<u>2021</u>	<u>2020</u>
Salaries, wages and employee benefits	50.6%	53.7%
Supplies, utilities and other (including purchased services)	37.4%	40.2%
Depreciation and amortization	5.0%	5.9%
Professional liability and other insurance	2.4%	2.5%
Interest	1.1%	1.1%

**Salaries, Wages and Employee Benefits** – Salaries, wages and employee benefits increased by \$90.6 million or 6.4% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021.

The table below shows the employed FTEs and employed physicians for RUSH at June 30, 2021 and 2020:

### FTE and Employed Physicians Statistics

	As of Jun 30,		Percent Change
	<u>2021</u>	<u>2020</u>	
Number of Full-time Equivalents	12,723	12,468	2.0%
Number of Employed Physicians	858	865	-0.8%

**Note:** Of the 12,723, FTEs, approximately 6.7% of non-clinical employees are represented by a union.

**Supplies, utilities and other expense, including purchased services** – Supplies, utilities and other expense, including purchased services increased \$53.5 million or 5.0% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021.

**Depreciation and amortization expense** – Depreciation and amortization expense decreased by \$7.4 million or -4.7% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021.

**Professional liability and other insurance** – Professional liability and other insurance expense increased by \$4.3 million or 6.5% from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021.

**Interest expense** – Interest expense was \$33.2 million for fiscal year ended June 30, 2021, an increase of \$4.8 million or 16.9% from fiscal year ended June 30, 2020.

**Significant Nonrecurring Items** – During fiscal years ended June 30, 2021 and 2020, significant nonrecurring items impacted RUSH's reported operating income as follows:

(In millions)	June 30, 2021	June 30, 2021 Operating Margin	June 30, 2020	June 30, 2020 Operating Margin
Operating income reported	\$108.2	3.6%	(\$88.5)	-3.3%
Items impacting operating revenue	(59.5)	(2.0)	76.2	2.9
Items impacting operating expenses	37.6	1.3	74.5	2.8
<b>Total adjustments</b>	<b>(21.9)</b>	<b>(0.7)</b>	<b>150.7</b>	<b>5.7</b>
<b>Operating income</b>	<b>\$86.3</b>	<b>2.9%</b>	<b>\$62.2</b>	<b>2.3%</b>

Nonrecurring items for fiscal year ended June 30, 2021 includes the COVID-19 related expenses and stimulus revenue and other miscellaneous initiatives.

**Non-operating Income/Expense** – Total non-operating income increased by \$295.7 million from fiscal year ended June 30, 2020 to fiscal year ended June 30, 2021. Non-operating income consists of investment income, unrestricted contributions, loss on extinguishment of debt, and interest rate swaps. The increase is due to favorable market returns.

**Liquidity and Capital Resources** – The Obligated Group’s unrestricted cash and investments at market value increased by \$361.0 million or 20.0% from June 30, 2020. The days cash on hand increased 33.6 days to 289.5 days as of June 30, 2021 from 255.9 as of June 30, 2020. Included in unrestricted cash and investments was \$146.2 million and \$128.8 million of Specific Purpose Fund balances as of June 30, 2021 and June 30, 2020, respectively, and \$84.0 million and \$58.5 million of appreciation on the unrestricted portion of RUMC’s endowment as of June 30, 2021 and June 30, 2020, respectively.

Excluded from unrestricted cash and investments is the appreciation on the restricted portion of RUMC’s endowment fund of \$422.6 million and \$257.1 million as of June 30, 2021 and June 30, 2020, respectively. These temporarily restricted funds are used to support specific purposes such as research and education.

RUSH hospitals, as well as other Illinois hospitals, have experienced significant delays in payments by the State of Illinois for amounts due under Medicaid, Medicaid Managed Care, and the Aetna State of Illinois insurance programs over the last several years. As of June 30, 2021, the State of Illinois receivables has improved by 24% compared to June 30, 2020 and amounts outstanding over 90 days have improved by 47% due to strong payments throughout the fiscal year. RUSH will continue to closely monitor the outstanding receivables from the state and evaluate any impact of possible future delays in collections.

The Obligated Groups’ indebtedness, including capital leases, deferred financing obligations and guarantees, was \$937.5 million and \$1,028.7 million at June 30, 2021 and June 30, 2020, respectively. The Obligated Group’s ratio of the sum of unrestricted cash and investments and debt service reserve funds to indebtedness was 230.6% at June 30, 2021 an increase from 175.1% at June 30, 2020.

### **Capital Expenditures**

Total capital expenditures for RUSH amounted to \$172.6 million for fiscal year ended June 30, 2021. Some of largest initiatives during fiscal year 2021 was the continued build out of the Joan and Paul Rubschlager Building, new medical equipment to assist with minimally invasive procedures and upgraded pumps to standardize care across the system. The Obligated Group’s construction commitments outstanding as of June 30, 2021 and 2020 were \$186.6 and \$205.4 million, respectively.

## **MISCELLANEOUS**

### **New Accounting Pronouncements**

Effective July 1, 2020, RUSH adopted 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 did not have a material impact on the consolidated financial statements.

Effective July 1, 2020, RUSH adopted ASU No. 2018-15, *Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The ASU did not have a material impact to the consolidated financial statements.

In March 2021, the FASB issued ASU No. 2021-03—*Intangibles—Goodwill and Other (Topic 350): Accounting Alternative for Evaluating Triggering Events*, which provides not-for-profit entities with an accounting alternative to perform the goodwill impairment triggering event evaluation as required in Subtopic 350-20 as of the end of the reporting period, whether the reporting period is an interim or annual period. An entity that elects this alternative is not required to monitor for goodwill impairment triggering events during the reporting period but, instead, should evaluate the facts and circumstances as of the end of each reporting period to determine whether a triggering event exists and, if so, whether it is more likely than not that goodwill is impaired. An entity that does not elect the accounting alternative for amortizing goodwill and that performs its annual impairment test as of a date other than the annual reporting date should perform a triggering event evaluation only as of the end of the reporting period. RUSH is



planning to adopt this ASU in fiscal year 2022 and does not expect that it will have a material impact on the consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* which requires the application of a current expected credit loss (“CECL”) impairment model to financial assets measured at amortized cost (including trade accounts receivable), net investments in leases, and certain off-balance-sheet credit exposures. Under the CECL model, lifetime expected credit losses on such financial assets are measured and recognized at each reporting date based on historical, current, and forecasted information. Furthermore, the CECL model requires financial assets with similar risk characteristics to be analyzed on a collective basis. ASU No. 2016-13 was originally effective on July 1, 2021. However, ASU No. 2019-10, *Financial Instruments – Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*, delayed the effective date of this new standard for RUSH to July 1, 2023. RUSH is currently reviewing the requirements of the standard and evaluating the impact of the standard.

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* ASU No. 2020-07 requires contributed nonfinancial assets to be presented as a separate line item in the statement of activities. Additional disclosures around qualitative information and any policies on monetization, description of any donor-imposed restrictions and a description of valuation techniques are also required. ASU No. 2020-07 is effective for RUSH beginning on July 1, 2021. RUSH is currently reviewing the requirements of the standard and evaluating the impact of the standard.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. The ASU No. 2017-04 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 currently reviewing the requirements of the standard and evaluating the impact of the standard, which is required to be implemented in fiscal year 2022.

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 currently reviewing the requirements of the standard and evaluating the impact of the standard, which is required to be implemented in fiscal year 2022.

## **Ratings**

Moody’s, S&P and Fitch have assigned municipal bond ratings of “A1”, “A+” and “AA-,” respectively, to the long-term debt of the Obligated Group. As of September 23, 2021, S&P affirmed the Obligated Group’s A+ rating and affirmed the outlook to “Stable”. As of February 23, 2021, Fitch reaffirmed the Obligated Group’s rating to AA- and reaffirmed the outlook to “Stable”. As of March 4, 2020, Moody’s affirmed the Obligated Group’s A1 rating and “Stable” outlook.

Any explanation of the significance of such ratings may only be obtained from Moody’s, S&P and Fitch. Certain information and materials not included in this Annual Report may have been furnished to Moody’s, S&P and Fitch concerning the Obligated Group. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be revised downward or upward or withdrawn entirely by any of such rating agencies if, in the judgment of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligated Group’s outstanding bonds.

## Licenses, Accreditations and Memberships

Members of RUSH, including RUMC, CMH and ROPH have been approved and accredited by many governmental and not for profit organizations including The Joint Commission. Additionally, RUMC, CMH and ROPH are members of numerous associations, consortiums and councils dedicated to the various medical specialties offered by each facility.

## Community Benefits

RUSH is committed to improving the health of the diverse communities it serves. This commitment is evidenced through the provision of care to patients as charity care, financial support to community partners, the development of health improvement programs and serving through volunteer efforts in RUSH's communities.

Charity care, as it is currently defined, is limited to very specific services carried out in the nation's non-profit medical centers. It does not take into account the work that a hospital carries out to improve the wellness of a community, through which costly medical procedures can be avoided.

In fiscal year ended June 30, 2020, RUSH's total community benefit was \$550.9 million, \$33.0 million of which went to charity care.

Focusing on these efforts while also delivering on its obligations to provide charity care is something RUSH considers to be central to its mission.

By creating jobs, investing in the community, offering critical health and wellness programs at no cost, as well as a host of other initiatives aimed at reducing mortality rates across the west side of Chicago, RUSH strives to improve the lives of one of Chicago's most vulnerable communities.

In doing so, RUSH has been recognized as a national leader in addressing the social determinants of health. As a founding member and fiscal agent of West Side United, RUSH established a coalition of health systems, residents and community groups with the shared goal of reducing mortality rates across the west side of Chicago.

## Pension Plans

RUSH actively manages defined benefit retirement plans and has established a formal pension risk strategy plan for employees of RUMC and ROPH. This plan is reviewed annually by the Investment Committee of the RUMC Board. Risk management planning is comprehensive and incorporates plan design, funding, investment policy and risk transfer assessments.

- **Funded Status** – RUSH regularly measures its plans' funded status on a PPA Funded Ratio, FAS Funded Ratio and Economic Funded Ratio. These measurements utilize different time periods and discount rates to measure the liability and different smoothing methods for the assets held in the Master Retirement Trust. The FAS Funded Ratio found in the footnotes to the financial statements as of June 30, 2021, reflects a funded ratio of 91%.
- **Funding** – For the past ten consecutive calendar years, RUMC contributed more than the minimum required by Employee Retirement Income Security Act and the Code funding rules. During fiscal years ended June 30, 2021 and 2020, RUMC contributed \$23.0 and \$17.5 million, respectively, to the plan. RUMC plans to contribute to the plan throughout the remainder of the calendar year.
- **Investment Policy** – The portfolio's investment objective is to achieve a total return that meets or exceeds the plan's obligations over a full market cycle. This cycle is generally defined as rolling five year periods.

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

In addition to the pension programs, RUMC also provides postretirement health care benefits for certain employees. Further benefits under the Postretirement Healthcare Plans have been curtailed since 2010.

## Investment Policies

RUSH's investment program consists of unrestricted cash and investments, an endowment at RUMC and RCMC and investment trusts maintained for the specific purpose of funding RUMC's self-insured general and professional liability claims, and RUMC's defined benefit plan. The Investment Committee of the Board of Trustees at RUMC has the primary purpose of assisting the Board of Trustees in the oversight of RUMC's asset pools, and specifically, assets in the operating reserves, self-insurance trust, endowment fund, and Master Retirement Trust and investment offerings in the defined contribution plans. The Finance Committee of the Board of Directors at RCMC is responsible for determining and implementing all investment policies, selecting and terminating investment managers and reviewing investment performance.

The objective of the RUMC self-insurance trust is to fund the self-insurance obligations of RUMC. As of June 30, 2021, the self-insurance trust assets had a market value of \$174.8 million versus a market value of \$136.1 million as of June 30, 2020. The following table shows the current asset allocation targets and ranges as well as the asset allocation as of June 30, 2021 and June 30, 2020 for the self-insurance trust:

Asset Class	Target Allocation and Range		Percentage Trust Assets as of	
			<u>Jun 30, 2021</u>	<u>Jun 30, 2020</u>
Public Equity	40%	(+/-10%)	47.3%	0.0%
Fixed Income	35%	(+/-10%)	27.8%	69.9%
U.S. Treasuries	25%	(+/-10%)	23.9%	29.9%
Cash/Money Market	0%	-	1.0%	0.2%
Total			100%	100%

## Fair Value Measurements

As of June 30, 2021 and 2020, 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, trustee 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, 2021 and 2020:

Fair Value Measurements as of June 30, 2021	Level 1	Level 2	Level 3	Valued @ NAV	Total Fair Value
<b>Marketable securities and short-term investments</b>	\$ 64,597	\$ 224,145	\$ -	\$ -	\$ 288,742
<b>Fixed Income Securities:</b>					
U.S. Government and Agency securities	-	358,521	-	-	358,521
Corporate Bonds	-	311,623	-	-	311,623
Asset Backed Securities and Other	1,020	10,909	-	-	11,929
<b>Public Equity Securities</b>	359,729	-	-	-	359,729
<b>Fund Investments (Mutual/Commingled):</b>					
Fixed Income Fund	79,219	161,036	-	-	240,255
Public Equity Funds	267,510	-	-	429,955	697,465
Multi Asset Class Funds	19,816	-	-	59,518	79,334
<b>Alternative Investments:</b>					
Hedge Funds	-	-	-	-	-
Private Equity Partnerships	-	-	-	153,308	153,308
Private Debt	-	-	-	118,711	118,711
<b>Other:</b>					
Derivative Assets	156	1,315	-	-	1,471
Trustee-held Investments	-	-	36,985	-	36,985
Pending Transactions	-	(10,777)	-	-	(10,777)
<b>Total investments</b>	<u>\$ 792,047</u>	<u>\$ 1,056,772</u>	<u>\$ 36,985</u>	<u>\$ 761,492</u>	<u>\$ 2,647,296</u>
Obligations under interest rate swap agreements	\$ -	\$ (14,009)	\$ -	\$ -	(14,009)
Other derivative liabilities	-	(253)	-	-	(253)
<b>Total liabilities at fair value</b>	<u>\$ -</u>	<u>\$ (14,262)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (14,262)</u>

<b>Fair Value Measurements as of June 30, 2020</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Valued @ NAV</b>	<b>Total Fair Value</b>
<b>Marketable securities and short-term investments</b>	\$ 32,518	\$ 5,026	\$ -	\$ 20,119	\$ 57,663
<b>Fixed Income Securities:</b>					
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
<b>Public Equity Securities</b>	206,368	-	-	-	206,368
<b>Fund Investments (Mutual/Commingled):</b>					
Fixed Income Fund	151,267	-	-	-	151,267
Public Equity Funds	182,582	138,317	-	311,983	632,882
Multi Asset Class Funds	100,487	-	-	35,955	136,442
<b>Alternative Investments:</b>					
Hedge Funds	-	-	-	6,091	6,091
Private Equity Partnerships	-	1,469	-	112,904	114,373
Private Debt	-	-	-	79,294	79,294
<b>Other:</b>					
Derivative Assets	-	335	-	-	335
Trustee-held Investments	-	-	29,685	-	29,685
Pending Transactions	-	(4,245)	-	-	(4,245)
<b>Total investments</b>	<u>\$ 673,222</u>	<u>\$ 659,826</u>	<u>\$ 29,685</u>	<u>\$ 566,346</u>	<u>\$ 1,929,079</u>
Obligations under interest rate swap agreements	\$ -	\$ (18,678)	\$ -	\$ -	(18,678)
Other derivative liabilities	-	-	-	-	-
<b>Total liabilities at fair value</b>	<u>\$ -</u>	<u>\$ (18,678)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (18,678)</u>

### 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, 2019	\$ 29,739
Actual return on investments — Realized and unrealized losses	(54)
Purchases	-
Sales	-
	<hr/>
Fair value — June 30, 2020	29,685
Actual return on investments — Realized and unrealized losses	7,300
Purchases	-
Sales	-
	<hr/>
Fair value — June 30, 2021	<u>\$ 36,985</u>

During the fiscal year 2021 and 2020, there were no transfers in Level 3 investments.

### 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 net asset value. Multi-asset funds include investments in fund of funds that seek to provide both capital appreciation and income by investing in both traditional and alternative asset funds. The asset allocation is driven by the fund manager's long-range forecasts of asset-class real returns. Investments in this category classified as NAV are held in a commingled fund that invests primarily in global equity and bond mutual funds. Included in this category is a multistrategy hedge fund, priced on the last business day of each calendar month. The values for underlying investments are estimated based on many factors, including operating performance, balance sheet indicators, growth, and other market and business fundamentals. The underlying investment strategies can include long-short, global macro, fixed-income and currency hedges, and other tactical opportunity-related strategies.

*Alternative Investments* — Investments within this category consist primarily of hedge fund of funds, private equity partnerships, and private debt. The hedge fund of funds 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 RUSH's unfunded commitments that report fair value using NAV as of June 30, 2021:

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	\$ 29,932	Not currently redeemable	N/A
Private Debt	<u>51,533</u>	Not currently redeemable	N/A
Total	<u>\$ 81,465</u>		

## Interest Rate Agreements

In the third quarter of fiscal year 2020, the Obligated Group marketed a \$330.0 million 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 \$250.0 million 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 \$62.5 million 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.

## 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 16% and 18% of RUSH's endowment is available for general purposes for the years ended June 30, 2021 and 2020, respectively.

RUMC has an Investment Committee with the authority discharged from the RUMC Board of Trustees to oversee their investment portfolio and approve the investment policy for RUMC and ROPH. RCMC has a Finance Committee with the authority to oversee their investment portfolio and approve their 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, 2021 and 2020, are as follows:

Asset Class	Target Allocation and Range	Percentage of Endowment Assets	
		2021	2020
Global equity	60% (+/- 5%)	65 %	57 %
Multi Asset Fund	10% (+/- 5%)	8	6
Private equity	15% (+/- 5%)	19	18
Fixed income	15% (+/- 5%)	9	18
Cash	--	0	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, 2021 and 2020 and income from the endowment fund provided \$22.1 and \$21.1 million of support for RUSH's programs during the fiscal years ended June 30, 2021 and 2020, respectively.

## 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 (0.0631% and 0.066% as of June 30, 2021 and 2020, 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 \$67.4 and \$71.5 million, respectively, (\$33.7 million 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, 2021, the Obligated Group had no collateral posted under Swap Agreements.

The fair value of the Swap Agreements reported in RUSH's consolidated balance sheets as of June 30, 2021 and 2020, 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 fiscal years ended June 30, 2021 and 2020 were as follows:

		<b>Swap Disclosures</b>	
		<b>Fiscal Year Ended</b>	
		<b>June 30,</b>	
<i>(In Thousands)</i>	<b>Reported As</b>	<u><b>2021</b></u>	<u><b>2020</b></u>
Change in Fair Value of Interest Rate Swaps	Nonoperating Income (Expense)	\$ 1,267	\$ (656)
Net Cash Payments on Interest Rate Swaps	Interest Expense	\$ (1,987)	\$ (1,888)

## Affiliations, Merger, Acquisition and Divestiture

Management of RUSH is actively considering and evaluating potential affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, management reviews the use, compatibility and business viability of many of the operations of RUSH, and from time to time RUSH may pursue changes in the use of, or disposition of, their facilities. RUSH receives offers from and/or conducts discussions with third-parties about potential affiliations and joint venture opportunities. As a result, it is possible that the current organization, assets, operations and financial condition of RUSH may change from time to time as a result of such affiliations, mergers, acquisitions and divestitures.



In addition to relationships with other hospitals and physicians, RUSH may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home health care, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of RUSH. In addition, RUSH may pursue transactions with health insurers, HMOs, preferred provider organizations, third-party administrators and other health insurance-related businesses. Because of the integration occurring throughout the health care field, management will consider these arrangements if there is a perceived strategic or operational benefit for RUSH. Any such investment, venture, affiliate, development or acquisition may involve significant capital commitments and/or capital or operating risk (including, potentially, insurance risk) in a business in which RUSH may have less expertise than in hospital operations. There can be no assurance that these projects, if pursued, will not lead to material adverse consequences to RUSH.

## **Information Technology**

The Obligated Group strives to be a national leader for the innovative use of informatics and technology to support safe, effective and efficient patient-centered quality health care, empowering customers and partners by advancing technology solutions that enable the Obligated Group to achieve its mission, vision and values. During fiscal years ended June 30, 2021 and 2020, the Obligated Group has spent \$102.6 and \$143.0 million, respectively, on IT expenditures, which represents 3.4% and 5.4% of its operating revenue. During fiscal year 2021, the IT teams were at the forefront of responding to the changing healthcare environment. The IT teams continued to support pandemic response efforts. The investments to develop a robust telemedicine platform continued supporting volumes across the medical groups. Additionally, the teams pivoted from employee vaccine clinics in December 2020 to supporting our communities at ever increasing large scale. The teams supported the setup and operations of eleven vaccine administration sites across our facilities and community fully integrated into Epic. In our COVID-19 response, RUSH analysts supported the organization throughout the pandemic; these efforts included developing a case forecasting model which was used to predict case counts, and inform decision making on hospital reopening, and managing during the late fall surge without closing wards; ongoing command center analytics to support vaccination efforts and organizational planning; and monitoring.

Furthermore, Rush was contracted by Chicago Department of Public Health as a part of its COVID-19 response to develop and deploy a citywide data hub that supports public health surveillance for COVID-19 and monitoring of presence of variants.

## **Recent Transactions and Other Matters**

As a result of the COVID-19 pandemic, RUSH implemented several cost containment initiatives, including a hiring freeze for non-essential workers and a reduction of approximately 2% of its labor force. This selected labor restructuring resulted in one-time severance costs during fiscal year 2020. During fiscal year 2021, there were certain employee appreciation bonus and PTO payouts made in recognition of employees' contributions to RUSH throughout the pandemic. RUSH continues to assess and take the necessary actions based on COVID-19 and overall economic conditions.

During fiscal year 2021, RUSH received additional CARES ACT payments of \$61.2 million where \$60.2 is recorded as other revenue. The cash and revenue were recorded when received in fiscal year 2021, which is when the revenue recognition criteria were met.

The System recognizes grant payments as income when there is reasonable assurance that the grant conditions are met. These estimates could change materially based on the calculation of lost revenue or expenses related to COVID-19 over the required reporting periods as well as the evolving grant compliance guidance provided by the government.

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 joined 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 \$149.4 million

would remain classified as current liabilities and the remaining \$43.0 million would be reclassified to a long-term in the accompanying consolidated balance sheet.

On December 15, 2020, Rush Oak Brook, LLC (“Rush Oak Brook”), a wholly owned subsidiary of RUMC, and MOR West Suburban RE Ventures, LLC (“MOR West Suburban”), a wholly owned subsidiary of Midwest Orthopaedics at Rush, LLC (“MOR”), entered into a purchase agreement whereby Rush Oak Brook purchased MOR West Suburban’s 35% ownership of Rush Oak Brook Orthopaedic Center, LLC (“ROBOC”). This ownership purchase transaction resulted in Rush Oak Brook’s sole ownership of ROBOC, the sole owner of a critical real estate asset in Oak Brook, IL. In connection with the purchase transaction the current tenants of the building, MOR, Rush Oak Brook Surgery Center, LLC, and RUMC, each extended their leases for a term of fifteen years. Additionally, with this transaction it caused the reclassification of ROBOC’s debt to Long-term debt less current portion.

Effective February 1, 2021, RUSH and Ann & Robert H. Lurie Children’s Hospital of Chicago executed agreements to form a clinical affiliation to advance pediatric care for the children of the Chicago area. These initiatives are jointly managed by Rush and Lurie which includes Rush University Medical Center’s pediatric inpatient services, pediatric intensive care unit, neonatal intensive care unit and newborn services, inpatient and outpatient pediatric cardiology services, and inpatient and outpatient pediatric hematology/oncology services, as well as outpatient pediatric services at other Rush locations. Pediatric services at Rush Copley Medical Center are not part of the affiliation.

There were no other significant or material transactions outside the ordinary course of business during fiscal year ended June 30, 2021.

### **Subsequent Events**

Rush has evaluated events occurring subsequent to the consolidated balance sheet date through October 28, 2021, the date the consolidated financial statements were available to be issued. There were no significant subsequent events through this date, with the exception of the items below.

Announced September 28, 2021, RUSH and DispatchHealth entered into an arrangement to bring high-acuity, in-home medical care to Chicago. The arrangement is focused on expanding care delivery options and giving patients access to convenient acute healthcare in the home at a lower cost. The DispatchHealth and RUSH arrangement will bring acute care to those patients who often struggle with access to care in their time of need. Beginning October 7, 2021 patients will have access to care that can treat common to complex injuries and illnesses in the home.

An instance of potential misappropriation of funds by a former executive at ROPH has been identified. The matter is presently being investigated with the assistance of external forensic auditors and counsel. The amount at issue to the financial condition of consolidated RUSH is not expected to be material.

## **CONSOLIDATED FINANCIAL STATEMENTS**

# RUSH UNIVERSITY SYSTEM FOR HEALTH

## Consolidated Balance Sheet

(Dollars in thousands)

	Note 1	
	Audited	
	As of June 30,	
	2021	2020
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash and cash equivalents	\$ 441,652	\$ 578,478
Accounts receivable for patient services	364,311	348,019
Other accounts receivable	55,769	59,102
Self-insurance trust— current portion	43,670	30,629
Other current assets	103,854	105,047
Total current assets	<u>1,009,256</u>	<u>1,121,275</u>
<b>ASSETS LIMITED AS TO USE AND INVESTMENTS:</b>		
Investments	1,738,921	1,241,061
Limited as to use by donor or time restriction or other	748,897	560,763
Self-insurance trust— less current portion	131,177	105,509
Total assets limited as to use and investments	<u>2,618,995</u>	<u>1,907,333</u>
PROPERTY AND EQUIPMENT—NET	1,619,887	1,611,645
OPERATING LEASE RIGHT-OF-USE ASSETS	131,459	157,785
POSTRETIREMENT AND PENSION BENEFIT ASSETS	65,694	-
OTHER NONCURRENT ASSETS	92,478	93,603
<b>TOTAL ASSETS</b>	<u>\$ 5,537,769</u>	<u>\$ 4,891,641</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 64,184	\$ 77,663
Accrued expenses	455,323	368,241
Postretirement and pension benefit liabilities	2,275	-
Estimated third-party settlements payable and advances payable	393,910	415,706
Current portion of accrued liability under self-insurance programs	59,227	44,135
Current portion of long-term debt	12,216	11,775
Short-term operating lease liability	26,027	26,342
Total current liabilities	<u>1,013,162</u>	<u>943,862</u>
<b>LONG-TERM LIABILITIES:</b>		
Accrued liability under self-insurance programs— less current portion	242,975	222,279
Postretirement and pension benefit liabilities	92,941	95,924
Long-term debt— less current portion	921,802	900,160
Line of credit	-	75,000
Obligations under financing leases and other financing arrangements	3,226	41,499
Long-term operating lease liabilities	108,467	133,120
Other long-term liabilities	159,132	89,841
Total long-term liabilities	<u>1,528,543</u>	<u>1,557,823</u>
Total liabilities	<u>2,541,705</u>	<u>2,501,685</u>
<b>NET ASSETS:</b>		
Without donor restrictions	1,980,607	1,568,626
With donor restrictions	1,015,458	821,330
Total net assets	<u>2,996,065</u>	<u>2,389,956</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 5,537,769</u>	<u>\$ 4,891,641</u>

Note 1: The June 30, 2021 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2021 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

**RUSH UNIVERSITY SYSTEM FOR HEALTH****Consolidated Statements of Operations and Changes in Net Assets***(Dollars in thousands)*

	<b>Audited</b>	
	<b>For the Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>REVENUE:</b>		
Patient service revenue	2,574,590	2,233,576
Tuition and educational programs revenue	87,235	81,530
Research revenue and net assets released from restriction and used for research and other operations	155,870	164,949
Other revenue	181,366	176,538
	<u>2,999,061</u>	<u>2,656,593</u>
Total revenue		
<b>EXPENSES:</b>		
Salaries, wages and employee benefits	1,516,253	1,425,626
Supplies, utilities and other	903,588	810,953
Insurance	70,484	66,163
Purchased services	217,905	257,076
Depreciation and amortization	149,422	156,862
Interest and fees	33,234	28,437
	<u>2,890,886</u>	<u>2,745,117</u>
Total expenses		
<b>OPERATING INCOME (LOSS)</b>	<u>108,175</u>	<u>(88,524)</u>
<b>NON-OPERATING INCOME (LOSS)</b>		
Investment income and other - net	193,926	15,917
Contributions without donor restrictions	3,944	901
Fundraising expenses	(9,926)	(12,995)
Pension settlement expense	-	(40,445)
Debt rate lock settlement	-	(62,500)
Change in fair value of interest rate swaps	4,668	(3,896)
Loss on debt refunding	-	(75)
	<u>192,612</u>	<u>(103,093)</u>
Total non-operating income (loss)		
<b>EXCESS (DEFICIT) OF REVENUES OVER EXPENSES</b>	<u>\$ 300,787</u>	<u>\$ (191,617)</u>

*Note 1: The June 30, 2021 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2021 Audited Consolidated Financial Statements.*

*See accompanying notes to consolidated financial statements.*

**(Continued)**

**RUSH UNIVERSITY SYSTEM FOR HEALTH****Consolidated Statements of Operations and Changes in Net Assets***(Dollars in thousands)*

	<b>Audited</b>	
	<b>For the Years Ended June 30,</b>	
	<b>2021</b>	<b>2020</b>
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>		
Excess (deficit) of revenues over expenses	\$ 300,787	\$ (191,617)
Net assets released from restrictions used for the purchase of property and equipment	41,385	2,021
Postretirement related changes other than net periodic postretirement cost	64,215	(12,794)
Cumulative effect of change in accounting principle - Adoption of ASU No. 2016 - 02, <i>Leases</i>	-	34,532
Other	5,058	9,416
	<u>411,445</u>	<u>(158,442)</u>
Increase / (decrease) in net assets without donor restrictions		
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>		
Pledges, contributions and grants	110,377	162,349
Net assets released from restrictions	(141,240)	(162,045)
Net realized and unrealized gains (losses) on investments	225,526	(16,651)
	<u>194,663</u>	<u>(16,347)</u>
Increase / (decrease) in net assets with donor restrictions		
Increase / (Decrease) in Net Assets	606,108	(174,789)
NET ASSETS—Beginning of period	<u>2,389,956</u>	<u>2,564,745</u>
NET ASSETS—End of period	<u>\$ 2,996,064</u>	<u>\$ 2,389,956</u>

*Note 1: The June 30, 2021 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2021 Audited Consolidated Financial Statements.*

*See accompanying notes to consolidated financial statements.*

**(Concluded)**

# RUSH UNIVERSITY SYSTEM FOR HEALTH

## Consolidated Statements of Cash Flows

(Dollars in thousands)

	Audited	
	For the Years Ended June 30,	
	2021	2020
<b>OPERATING ACTIVITIES:</b>		
Increase (decrease) in net assets	\$ 606,108	(174,789)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	149,422	156,862
Non-cash operating lease expense	1,316	1,497
Cumulative effect of change in accounting principle	-	(34,532)
Postretirement related changes other than net periodic postretirement cost	(64,215)	12,794
Change in fair value of interest rate swaps	(4,668)	3,896
Net unrealized and realized (gains) losses on investments	(407,123)	13,983
Restricted contributions and investment income received	(26,544)	(24,593)
Investment (gains) losses on trustee held investments	(7,299)	54
Gain on sale of property and equipment	4,434	25,004
Changes in operating assets and liabilities:		
Accounts receivable for patient services	(16,292)	45,025
Accounts payable and accrued expenses	91,023	38,336
Estimated third-party settlements payable	(21,796)	228,431
Pension and postretirement costs	(2,187)	35,406
Accrued liability under self-insurance programs	35,788	18,169
Other changes in assets and liabilities	88,281	(19,698)
Net cash provided by operating activities	<u>426,248</u>	<u>325,845</u>
<b>INVESTING ACTIVITIES:</b>		
Additions to property and equipment	(173,502)	(220,640)
Acquisition of Rush Oak Brook Orthopaedic Center	(13,205)	-
Acquisition of of physician practices	-	(605)
Investment in Joint Venture	(6,678)	-
Purchase of investments	(3,238,677)	(4,165,767)
Sale of investments	2,928,398	4,135,096
Net cash used in investing activities	<u>(503,664)</u>	<u>(251,916)</u>
<b>FINANCING ACTIVITIES:</b>		
Proceeds from restricted contributions and investment income	26,544	24,593
Payment on line of credit	(75,000)	(36,500)
Proceeds from issuance of long-term debt	-	75,000
Proceeds from debt issuance	-	(27,460)
Proceeds from capital lease	-	366,500
Payment of long-term debt	(12,768)	(14,270)
Payment of obligations on finance lease liabilities	(896)	(2,524)
Proceeds from other financing arrangements	2,710	271
Net cash (used in) provided by financing activities	<u>(59,410)</u>	<u>385,610</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(136,826)	459,539
CASH AND CASH EQUIVALENTS—Beginning of period	578,478	118,939
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 441,652</u>	<u>\$ 578,478</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:</b>		
Right of use assets obtained in exchange for new operating lease liabilities	\$ 2,319	\$ 3,556
Cash paid for interest	\$ 38,794	\$ 30,574
Net asset transfer of newly affiliated entity	\$ -	\$ 8,651
Noncash additions to property and equipment	\$ 18,471	\$ 20,829

Note 1: The June 30, 2021 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2021 Audited Consolidated Financial Statements. See accompanying notes to consolidated financial statements.

## **APPENDICES**



# RUSH UNIVERSITY SYSTEM FOR HEALTH

## Consolidating Balance Sheet Information

As of June 30, 2021

(Dollars in thousands)

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
<b>ASSETS</b>								
<b>CURRENT ASSETS:</b>								
Cash and cash equivalents	\$ 362,538	\$ 60,377	\$ -	\$ -	\$ 422,915	\$ 18,737	\$ -	\$ 441,652
Accounts receivable for patient services	307,747	56,564	-	-	364,311	-	-	364,311
Other accounts receivable	57,802	-	215	(5,994)	52,023	3,746	-	55,769
Self-insurance trust— current portion	43,670	-	-	-	43,670	-	-	43,670
Other current assets	91,409	12,445	6	(6)	103,854	1,323	(1,323)	103,854
Total current assets	863,166	129,386	221	(6,000)	986,773	23,806	(1,323)	1,009,256
<b>ASSETS LIMITED AS TO USE AND INVESTMENTS:</b>								
Investments	1,343,708	395,213	-	-	1,738,921	-	-	1,738,921
Limited as to use by donor or time restriction	732,905	15,992	-	-	748,897	-	-	748,897
Self-insurance trust - less current portion	131,177	-	-	-	131,177	-	-	131,177
Total assets limited as to use and investments	2,207,790	411,205	-	-	2,618,995	-	-	2,618,995
PROPERTY AND EQUIPMENT—NET	1,389,122	229,648	-	-	1,618,770	1,117	-	1,619,887
OPERATING LEASE RIGHT-OF-USE ASSETS	104,216	27,243	-	-	131,459	-	-	131,459
POSTRETIREMENT AND PENSION BENEFIT ASSETS	65,694	-	-	-	65,694	-	-	65,694
OTHER NONCURRENT ASSETS	93,041	27,905	-	(25,026)	95,920	786	(4,228)	92,478
<b>TOTAL</b>	<b>\$ 4,723,029</b>	<b>\$ 825,387</b>	<b>\$ 221</b>	<b>\$ (31,026)</b>	<b>\$ 5,517,611</b>	<b>\$ 25,709</b>	<b>\$ (5,551)</b>	<b>\$ 5,537,769</b>
<b>LIABILITIES AND NET ASSETS</b>								
<b>CURRENT LIABILITIES:</b>								
Accounts payable	\$ 38,329	\$ 30,705	\$ 138	(5,917)	\$ 63,256	\$ 928	\$ -	\$ 64,184
Accrued expenses	410,150	36,349	-	-	446,499	8,824	-	455,323
Postretirement and pension benefit liabilities	2,275	-	-	-	2,275	-	-	2,275
Estimated third-party settlements and advances payable	329,451	64,459	-	-	393,910	-	-	393,910
Current portion of accrued liability under self-insurance programs	55,072	4,155	-	-	59,227	-	-	59,227
Current portion of long-term debt	9,485	2,731	-	-	12,216	-	-	12,216
Short-term operating lease liability	18,700	7,327	-	-	26,027	-	-	26,027
Total current liabilities	863,462	145,726	138	(5,917)	1,003,410	9,752	-	1,013,162
<b>LONG-TERM LIABILITIES:</b>								
Accrued liability under self-insurance programs— less current portion	224,889	18,086	-	-	242,975	-	-	242,975
Postretirement and pension benefit liabilities	92,941	-	-	-	92,941	-	-	92,941
Long-term debt— less current portion	797,947	123,855	-	-	921,802	-	-	921,802
Obligations under financing leases and other financing arrangements	3,226	-	-	-	3,226	-	-	3,226
Long-term operating lease liabilities	87,862	20,605	-	-	108,467	-	-	108,467
Other long-term liabilities	135,020	25,293	-	(9,139)	151,174	7,958	-	159,132
Total long-term liabilities	1,341,885	187,839	-	(9,139)	1,520,585	7,958	-	1,528,543
Total liabilities	2,205,347	333,565	138	(15,056)	2,523,994	17,710	-	2,541,705
<b>NET ASSETS:</b>								
Without donor restrictions	1,518,607	475,439	83	(15,971)	1,978,159	7,999	(5,551)	1,980,607
With donor restrictions	999,075	16,383	-	-	1,015,458	-	-	1,015,458
Total net assets	2,517,682	491,822	83	(15,971)	2,993,617	7,999	(5,551)	2,996,065
<b>TOTAL</b>	<b>\$ 4,723,029</b>	<b>\$ 825,387</b>	<b>\$ 221</b>	<b>\$ (31,026)</b>	<b>\$ 5,517,611</b>	<b>\$ 25,709</b>	<b>\$ (5,551)</b>	<b>\$ 5,537,769</b>

(Continued)

# RUSH UNIVERSITY SYSTEM FOR HEALTH

## Consolidating Statement of Operations

For fiscal year ended June 30, 2021

(Dollars in thousands)

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
<b>REVENUE:</b>								
Patient service revenue	2,144,499	430,091	-	-	2,574,590	-	-	2,574,590
Tuition and educational programs revenue	87,235	-	-	-	87,235	-	-	87,235
Research revenue and net assets released from restriction and used for research and other operations	155,870	-	-	-	155,870	-	-	155,870
Other revenue	152,948	28,165	9,106	(10,470)	179,749	16,170	(14,553)	181,366
<b>Total revenue</b>	<b>2,540,552</b>	<b>458,256</b>	<b>9,106</b>	<b>(10,470)</b>	<b>2,997,444</b>	<b>16,170</b>	<b>(14,553)</b>	<b>2,999,061</b>
<b>EXPENSES:</b>								
Salaries, wages and employee benefits	1,277,027	228,400	5,427	(5,427)	1,505,427	10,826	-	1,516,253
Supplies, utilities and other	796,625	104,678	1,353	(2,717)	899,939	3,649	-	903,588
Insurance	63,352	7,096	4	(4)	70,448	36	-	70,484
Purchased services	172,227	44,412	2,322	(2,322)	216,639	1,266	-	217,905
Depreciation and amortization	114,705	34,431	-	-	149,136	286	-	149,422
Interest and fees	27,836	5,196	-	-	33,032	202	-	33,234
<b>Total expenses</b>	<b>2,451,772</b>	<b>424,213</b>	<b>9,106</b>	<b>(10,470)</b>	<b>2,874,621</b>	<b>16,265</b>	<b>-</b>	<b>2,890,886</b>
<b>OPERATING (LOSS) INCOME</b>	<b>88,780</b>	<b>34,043</b>	<b>0</b>	<b>(0)</b>	<b>122,823</b>	<b>(95)</b>	<b>(14,553)</b>	<b>108,175</b>
<b>NON-OPERATING (LOSS) INCOME</b>								
Investment income and other - net	122,982	70,567	-	-	193,549	377	-	193,926
Contributions without donor restrictions	3,944	-	-	-	3,944	-	-	3,944
Fundraising expenses	(9,926)	-	-	-	(9,926)	-	-	(9,926)
Change in fair value of interest rate swaps	1,962	2,706	-	-	4,668	-	-	4,668
<b>Total non-operating income</b>	<b>118,962</b>	<b>73,273</b>	<b>-</b>	<b>-</b>	<b>192,235</b>	<b>377</b>	<b>-</b>	<b>192,612</b>
<b>EXCESS OF REVENUES OVER EXPENSES</b>	<b>\$ 207,742</b>	<b>\$ 107,316</b>	<b>\$ 0</b>	<b>\$ (0)</b>	<b>\$ 315,058</b>	<b>\$ 282</b>	<b>\$ (14,553)</b>	<b>\$ 300,787</b>

(Continued)

**RUSH UNIVERSITY SYSTEM FOR HEALTH**  
**Consolidating Statement of Changes in Net Assets Information**  
**For fiscal year ended June 30, 2021**  
*(Dollars in thousands)*

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
<b>NET ASSETS WITHOUT DONOR RESTRICTIONS</b>								
Excess of revenues over expenses	\$ 207,742	\$ 107,316	\$ 0	\$ (0)	\$ 315,058	\$ 282	\$ (14,553)	\$ 300,787
Net assets released from restrictions used for the purchase of property and equipment	41,385	-	-	-	41,385	-	-	41,385
Postretirement related changes other than net periodic postretirement cost	64,215	-	-	-	64,215	-	-	64,215
Other	5,415	104	-	(16,022)	(10,503)	1	15,560	5,058
Increase in net assets without donor restrictions	318,757	107,420	0	(16,022)	410,155	283	1,007	411,445
<b>NET ASSETS WITH DONOR RESTRICTIONS</b>								
Pledges, contributions and grants	109,687	690	-	-	110,377	-	-	110,377
Net assets released from restrictions	(140,364)	(876)	-	-	(141,240)	-	-	(141,240)
Net realized and unrealized gains on investments	222,286	3,240	-	-	225,526	-	-	225,526
Increase in net assets with donor restrictions	191,609	3,054	-	-	194,663	-	-	194,663
<b>INCREASE IN NET ASSETS</b>	<b>510,366</b>	<b>110,474</b>	<b>0</b>	<b>(16,022)</b>	<b>604,818</b>	<b>283</b>	<b>1,007</b>	<b>606,108</b>
NET ASSETS—Beginning of year	2,007,316	381,348	83	51	2,388,798	7,716	(6,558)	2,389,956
NET ASSETS—End of year	\$ 2,517,682	\$ 491,822	\$ 83	\$ (15,971)	\$ 2,993,616	\$ 7,999	\$ (5,551)	\$ 2,996,064

**(Concluded)**

## Financial Results Compared to Budget for Fiscal Year Ended June 30, 2021

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The RUSH Parent Board is required to set the RUSH strategic plan and annual budget as well as approve the strategic plans, annual operating budgets, and the financial and capital priorities for RUMC and RCMC. The budget remains in effect the entire fiscal year. An actual to budget comparison and analysis is presented monthly in the financial statements, and the information for fiscal year ended June 30, 2021 is presented below for the Obligated Group.

### Summary of Statement of Operations - Obligated Group

<i>(In thousands)</i>	<b>Fiscal Year Ended June 30, 2021</b>	
	<b>Actual</b>	<b>Budget</b>
Patient service revenue	\$ 2,574,590	\$ 2,445,875
Other operating revenue	422,854	360,775
Total operating revenue	2,997,444	2,806,650
Salaries, wages and employee benefits	1,505,427	1,447,512
Supplies, utilities and other	899,939	814,647
Professional liability and other insurance	70,448	65,634
Purchased services	216,639	228,065
Depreciation and amortization	149,136	150,237
Interest	33,032	35,055
Total operating expenses	2,874,621	2,741,150
Operating income	122,823	65,500
Non-operating income	192,235	43,901
Excess of revenue over expenses	\$ 315,058	\$ 109,401

## Covenant Compliance Certificate

The following calculations are pursuant to the financial covenants expressed in the Amended and Restated Master Trust Indenture dated February 1, 2015 for the Rush University Medical Center Obligated Group.

**(Dollars in Thousands)**

**I. MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO:**

Net income, excluding net gains and losses on sales [1]		\$	170,340
Add: Depreciation expense			149,136
Add: Interest expense			33,032
Revenues available for debt service		\$	352,508
Maximum annual debt service		\$	62,797
Revenues available for debt service	\$	352,508	5.61
Maximum annual debt service	\$	62,797	
Ratio exceeds 1.20	(please check)		<b>X</b>

**II. DAYS CASH ON HAND:**

Unrestricted cash and cash equivalents		\$	422,915
Add: Unrestricted marketable securities			1,738,921
Unrestricted cash and marketable securities		\$	2,161,836
Number of days in period			365
Unrestricted cash and marketable securities x 365		\$	789,070,140
Total operating expenses			2,874,621
Less: Depreciation expense			(149,136)
Total operating expenses - depreciation expense		\$	2,725,485
Unrestricted cash and marketable securities x 365	\$	789,070,140	289.5
Total operating expenses - depreciation expense	\$	2,725,485	
Days exceed 65	(please check)		<b>X</b>

**[1] Maximum annual and historical debt service coverage ratios are calculated based on revenues available for debt service of the Obligated Group and exclude the change in fair value of interest rate swaps and unrealized gains and losses on unrestricted investments. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.**

## Covenant Compliance Certificate – Continued

(Dollars in Thousands)

### III. HISTORICAL DEBT SERVICE COVERAGE RATIO:

Net income, excluding net gains and losses on sales [1]	\$	170,340
Add: Depreciation expense		149,136
Add: Interest expense		33,032
Revenues available for debt service	\$	352,508
Payments of debt	\$	13,664
Add: Interest expense		33,032
Annual debt service	\$	46,696
Revenues available for debt service	\$	352,508
Annual debt service	\$	46,696
		7.55
Ratio exceeds 1.10	(please check)	<b>X</b>

[1] Maximum annual and historical debt service coverage ratios are calculated based on revenues available for debt service of the Obligated Group and exclude the change in fair value of interest rate swaps and unrealized gains and losses on unrestricted investments. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.

The following is a list of the Rush System for Health Board Members:

<u>Name</u>	<u>Professional Affiliation</u>	<u>Years of Service</u>
Susan Crown, Chairman	Chairman and CEO, Owl Creek Partners LLP	4
Christine A. Edwards	Retired Partner, Winston Strawn	4
Peter C. B. Bynoe	Senior Advisor, DLA Piper LLP (US)	4
William M. Goodyear	Retired Executive Chairman, Navigant Consulting	4
William A. Downe	Retired Chief Executive Officer, BMO Financial Group	4
Sandra P. Guthman	Chairman, Polk Bros. Foundation	4
Jay L. Henderson	Retired Vice Chairman, Client Service, PricewaterhouseCoopers LLP	4
Stephen N. Potter	Retired Vice Chairman, Northern Trust Corporation	1
Carole B. Segal	President, Segal Family Foundation	4
E. David Coolidge	Vice Chairman, William Blair & Company, LLC	4
Catherine Cederroth	Director, Huron Consulting Group	4
Bruce W. Dienst	President and CEO, Simpson Technologies Corporation	4
Mark C. Metzger	Founder and Principal, Law Offices of Mark C. Metzger	4

## Medical Staff

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The following table represents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2021:

Specialty	Medical Staff	% Board Certified	Average Age
Anesthesiology	56	71.40%	45
Cardiovascular - Thoracic Surgery	31	83.90%	51
Diagnostic Radiology & Nuclear Medicine	45	93.30%	47
Emergency Medicine	42	81%	40
Family Medicine	25	100%	49
Internal Medicine	340	95%	48
Neurological Sciences	58	96.60%	46
Neurological Surgery	20	95%	52
Obstetrics & Gynecology	51	76.50%	49
Ophthalmology	44	93.20%	51
Orthopedic Surgery	58	70.70%	48
Otorhinolaryngology	30	86.70%	47
Pathology	21	100%	53
Pediatrics	99	94%	46
Physical Medicine & Rehabilitation	13	92.30%	47
Preventive Medicine	1	100%	85
Psychiatry & Behavioral Sciences	38	97.40%	54
Radiation Oncology	7	85.70%	46
Surgery	58	86.20%	49
<b>TOTAL / AVERAGE</b>	<b>1,037</b>	<b>89.42%</b>	<b>48</b>



## Medical Staff

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The following table represents information relating to the composition of the Medical Staff of Rush Copley Medical Center as of June 30, 2021:

Specialty	Medical Staff	% Board Certified	Average Age
Allergy/Immunology	6	100%	49
Anesthesia	12	100%	48
Breast Surgery	1	100%	61
Cardio-Electrophysiology	2	100%	46
Cardiology	9	100%	41
Cardiology, Interventional	5	100%	58
Cardiothoracic Surgery	12	100%	37
Critical Care	5	100%	45
Dentistry	2	0%	55
Dermatology	2	100%	64
Emergency Medicine	31	100%	43
Endocrinology, Diabetes, & Metabolism	3	100%	48
Family Medicine	40	95%	48
Gastroenterology	12	100%	46
General Surgery	13	92%	56
Gyne Onc	4	100%	44
Gynecology	2	100%	68
Hand Surgery	2	100%	44
Hematology	1	100%	56
Hematology/Oncology	7	86%	58
Hepatology	1	100%	42
IM/Pediatrics	1	100%	33
Infectious Disease	3	100%	53
Internal Medicine	41	95%	46
Maternal Fetal Medicine	5	100%	53
Neonatology	8	100%	47
Nephrology	8	100%	55
Neurology	11	91%	49
Neurosurgery	4	100%	48
Obstetrics & Gynecology	24	100%	47
Ophthalmology	8	100%	59
Orthopedic Surgery	12	100%	47
Otolaryngology	7	100%	43
Pathology	5	100%	61
Pediatric Anesthesia	2	100%	45
Pediatric Cardiology	6	100%	45
Pediatric Endocrinology	1	100%	50
Pediatric Gastroenterology	1	100%	38
Pediatric Genetics	1	100%	60
Pediatric Hematology/Oncology	2	100%	51

## Medical Staff

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The following table represents information relating to the composition of the Medical Staff of Rush Copley Medical Center as of June 30, 2021:

Specialty	Medical Staff	% Board Certified	Average Age
Pediatric Neurology	5	100%	56
Pediatric Ophthalmology	1	100%	56
Pediatric Otolaryngology	1	100%	34
Pediatric Pulmology	2	100%	40
Pediatric Radiology	27	100%	47
Pediatric Surgery	4	100%	48
Pediatric Urology	1	100%	61
Pediatrics	21	90%	46
Physiatry	10	100%	46
Plastic Surgery	2	100%	42
Podiatric Surgery	17	94%	50
Psychiatry	2	100%	50
Pulmology	10	100%	49
Radiation Oncology	3	100%	41
Radiology	14	100%	47
Reproductive Endocrinology	3	100%	46
Spine Surgery	1	100%	56
Sports Medicine	2	100%	49
Teleneurology	9	100%	48
Teleradiology	46	100%	41
Thoracic Surgery	4	100%	44
Urogynecology	3	100%	51
Urology	5	100%	44
Vascular Surgery	4	100%	49
<b>TOTAL / AVERAGE</b>	<b>519</b>	<b>97.55%</b>	<b>47</b>

## Medical Staff

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The following table represents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2021:

Specialty	Medical Staff	% Board Certified	Average Age
Advanced Heart Failure and Transplant Cardiology	2	100%	40
Allergy & Immunology	8	100%	48
Anesthesiology	17	88%	50
Cardiovascular Disease	17	94%	51
Clinical Cardiac Electrophysiology	5	100%	41
Colon and Rectal Surgery	2	100%	55
Complex General Surgical Oncology	1	100%	41
Critical Care Medicine	2	100%	42
Dentistry	1	0%	66
Dermatology	8	100%	49
Diagnostic Radiology	33	94%	48
Emergency Medicine	31	87%	41
Endocrinology, Diabetes and Metabolism	5	100%	47
Epilepsy	2	100%	38
Family Medicine	32	86%	50
Female Pelvic Medicine and Reconstructive Surgery	4	75%	44
Foot and Ankle Surgery	9	56%	63
Foot Surgery	9	67%	47
Gastroenterology	18	88%	49
Geriatric Medicine	3	100%	48
Gynecologic Oncology	3	100%	44
Hematology	8	75%	53
Infectious Disease	17	94%	50
Internal Medicine	23	87%	53
Internal Medicine/Pediatrics	1	100%	55
Interventional Radiology and Diagnostic Radiology	8	88%	45
Interventional Cardiology	10	100%	53
Medical Oncology	9	100%	53
Nephrology	10	90%	54
Neurology	18	100%	46
Neurology with Special Qualifications in Child	1	100%	55
Neuropathology	1	100%	53
Neuroradiology	4	100%	49
Nuclear Medicine	1	100%	40
Obstetrics and Gynecology	15	53%	42
Occupational Medicine	1	0%	78
Ophthalmology	13	100%	57
Oral and Maxillofacial Surgery	1	100%	51
Orthopaedic Sports Medicine	7	71%	51
Orthopaedic Surgery	12	75%	53

Medical Staff (continued)

The following table represents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2021:

Specialty	Medical Staff	% Board Certified	Average Age
Otolaryngology - Head and Neck Surgery	4	100%	50
Pathology	13	100%	49
Pediatric Cardiology	2	100%	46
Pediatrics	1	100%	64
Physical Medicine and Rehabilitation	9	89%	42
Plastic Surgery	8	75%	44
Psychiatry	8	100%	43
Pulmonary Disease	8	100%	48
Radiation Oncology	7	86%	48
Rheumatology	3	100%	45
Sleep Medicine	2	100%	54
Sports Medicine	4	75%	43
Surgery	23	87%	52
Surgery of the Hand	4	75%	49
Surgical Critical Care	4	100%	45
Thoracic and Cardiac Surgery	6	83%	49
Transplant Hepatology	7	71%	53
Urology	16	81%	49
Vascular Neurology	2	100%	39
Vascular Surgery	6	50%	49
Total/Average	509	87%	49