Rush University System for Health

Annual Report
For the Fiscal Year Ended June 30, 2020
Audited

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 ANNUAL 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 is following IDPH guidelines and has begun the process of performing such elective and non-emergency procedures. Management is monitoring developments with respect to the COVID-19 pandemic and intends to follow requirements from the Centers for Disease Control and other applicable federal, state and local regulatory agencies.

As of October 9, 2020, the Johns Hopkins University Corona Virus Resource Center Tracker reported the United States to have the largest number of confirmed cases at approximately 7.6 million. Of the United States Counties, Cook County, Illinois has the third largest number of confirmed cases at approximately 151,470. The unprecedented disruptions to RUSH's daily operations has caused a significant decline in revenues. RUSH and particularly, RUMC, responded early and aggressively to COVID-19, treating 20% of Cook County's COVID-19 patients. While RUSH has been provided some relief based on payments made to hospitals as a result of the Coronavirus Aid, Relief, and Economic Security ("CARES") Act, the payments received through June 30, 2020 of $85.1 million are not sufficient to cover all of its revenue losses and increased expenses. The additional expenses are the result of the establishment of its command center, additional equipment, and supplies to treat COVID-19 patients, as well as significant payroll increases in the form of supplemental pay to front line caregivers working in the form of supplemental pay to frontline caregivers working in established COVID-19 units. RUSH also received advanced payments from Medicare of $231.7 million which has been recorded within estimated third-party settlements and advances payable in the consolidated balance sheets. RUSH continues efforts to mitigate these issues as it works to increase elective surgical cases and manage non-COVID related expenses. In July 2020, RUSH received an additional CARES Act stimulus of $56.2 million. The stimulus funds are recorded in fiscal year 2021. As of mid-August, elective surgical cases have improved to pre-COVID-19 baseline.

The pandemic significantly affected the bond and investment markets. As a result, the RUSH Obligated Group's planned bond offering was delayed for several weeks, but then was able to successfully access the corporate taxable market on April 9, 2020, and issued a $330.0 million, 10-year fixed rate bond. The bond proceeds support RUSH's future growth strategies. Additionally, RUSH successfully refinanced its $75.0 million line of credit facility until December 31, 2022, and added a new $25.0 million one-year line of credit facility. Other cash preservation initiatives include liquidating investments, implementing a temporary hiring freeze, and slowing down vendor and capital payments.

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 the fiscal years ended June 30, 2020 and 2019 and management's discussion and analysis of the RUSH Obligated Group's financial condition and results of operations for the fiscal year ended June 30, 2020. 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 Indenture, dated as of May 29, 2020 as amended and as entered into by each member of the RUSH Obligated Group ("the Master Indenture").

The financial and operating data in this Annual Report continues to be presented on a consolidated basis for this report. Consolidating schedules for RUSH are included on pages 37-39 of this report. For the fiscal year ended June 30, 2020, the Obligated Group members constituted approximately 98.2% 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 Interim 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 the fiscal year ended June 30, 2020.

3. **Compliance with Master Continuing Disclosure Agreement.** The Annual Report is being delivered to the Dissemination Agent herewith not later than the 120th 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 28th day of October, 2020.

RUSH UNIVERSITY MEDICAL CENTER
As Group Representative

Patricia S. O'Neil

By: ______________________________

Patricia S. O'Neil

Its: Interim Senior Vice President and Chief Financial Officer

Acknowledgment of Receipt:

Digital Assurance Certification (DAC)
As Dissemination Agent

Shana Blanchard

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 the fiscal years ended June 30, 2020 and 2019 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 fiscal results:

Financial Results for the Obligated Group	**Fiscal Year Ended June 30, 2020**	**Fiscal Year Ended June 30, 2019**	**Impact**	
Total operating revenue	$ 2,655,888	$ 2,611,264	$ 44,624	1.7%
Total operating expenses (1)	2,732,632	2,553,391	(179,241)	-7.0%
Operating income (loss) (2)	(76,744)	57,873	(134,617)	-232.6%
Non-operating (expense) income	(103,093)	22,735	(125,828)	-553.5%
Excess of (loss) revenue over expenses	(179,837)	80,608	(260,445)	-323.1%
Operating Cash Flow Margin	108,366	208,937	(100,571)	-48.1%

Selected Obligated Group Balance Sheet Information as of	**June 30, 2020**	**June 30, 2019**	**Impact**	
Unrestricted cash and investments	$ 1,800,840	$ 1,299,863	$ 500,977	38.5%
Restricted cash and investments	696,901	766,383	(69,481)	-9.1%
Accounts receivable for patient services	348,019	393,045	(45,026)	-11.5%
Net property and equipment	1,611,191	1,552,941	58,250	3.8%
Obligated Group indebtedness	1,028,682	688,630	(340,052)	-49.4%
Postretirement and pension benefits	95,924	47,724	(48,200)	-101.0%
Net assets without donor restrictions	1,567,468	1,726,399	(158,931)	-9.2%

Selected Obligated Group Cash Flow Information for the	**Fiscal Year Ended June 30, 2020**	**Fiscal Year Ended June 30, 2019**	**Impact**	
Net cash provided by operating activities	$ 306,537	$ 87,659	$ 218,878	249.7%
Changes in operating assets and liabilities	327,676	(57,226)	384,902	672.6%
Capital expenditures	(220,031)	(187,500)	(32,531)	-17.3%

Note 1: Refer to ‘Significant Nonrecurring Items’ on page 18-19 of this Annual Report for a listing of items impacting the Obligated Group’s reported operating income for the fiscal year ended June 30, 2020 and 2019.

Note 2: The twelve months ended June 30, 2019 includes a reclassification of pension related activity as a result of adopting ASU No. 2017-07, *Compensation – Retirement Benefits* in FY2020. The reclassification increased salaries & wages expense and increased non-operating income by $4.2 million and a reclassification of the $23.2 million pension settlement expense from operating to non-operating income for the twelve month period ended June 30, 2019. Prior year ratios within this Annual Report have not been restated for the adoption. The twelve month period ended June 30, 2020 activity totaled $5.2 million, which is included within non-operating income.

Financial Ratios – Obligated Group

	AUDITED Fiscal Year Ended June 30, 2020 Actual	AUDITED FISCAL YEAR 2019 Actual	2018 Actual	2017 Actual	TARGET Moody's "A" Median 2019 (2)
Operating Performance:					
Adjusted Operating Margin - Excluding pension settlement expense (4)	N/A	2.2%	N/A	N/A	2.7%
Operating Margin	-2.9%	1.3%	3.9%	3.1%	2.7%
Excess Margin (1) (4)	-1.7%	3.3%	4.2%	3.7%	5.2%
Operating Cash Flow Margin (4)	4.1%	8.0%	10.1%	9.7%	8.7%
Liquidity:					
Days Cash on Hand (4)	255.9	195.5	214.3	204.8	215.1
Days in Patient Accounts Receivable	57.0	61.9	56.8	56.4	46.2
Financial Position / Debt Capacity:					
Debt to Capitalization	39.6%	28.5%	29.9%	31.3%	30.9%
Debt to Cash Flow (1) (4)	9.4	3.2	3.1	3.2	2.7
Cash to Debt	175.1%	188.8%	184.7%	169.5%	176.8%
Maximum Annual Debt Service Coverage (1) (3) (4)	2.1x	5.2x	5.4x	5.1x	4.7x
Annual Debt Service Coverage (1) (3) (4)	3.1x	5.7x	6.0x	6.8x	5.5x
Average Age of Plant in Years	11.1	12.6	11.9	11.1	12.0
Capital Spending Ratio	1.4	1.5	1.5	1.6	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 2019 Not-for-Profit Health care Medians for Freestanding Hospitals, Single-State and Multi-State Healthcare Systems, September 2020.

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 2,700 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 1,800 affiliated physicians. As of June 30, 2020, RUSH included 3 hospitals, 988 staffed beds, and 937 employed physicians.

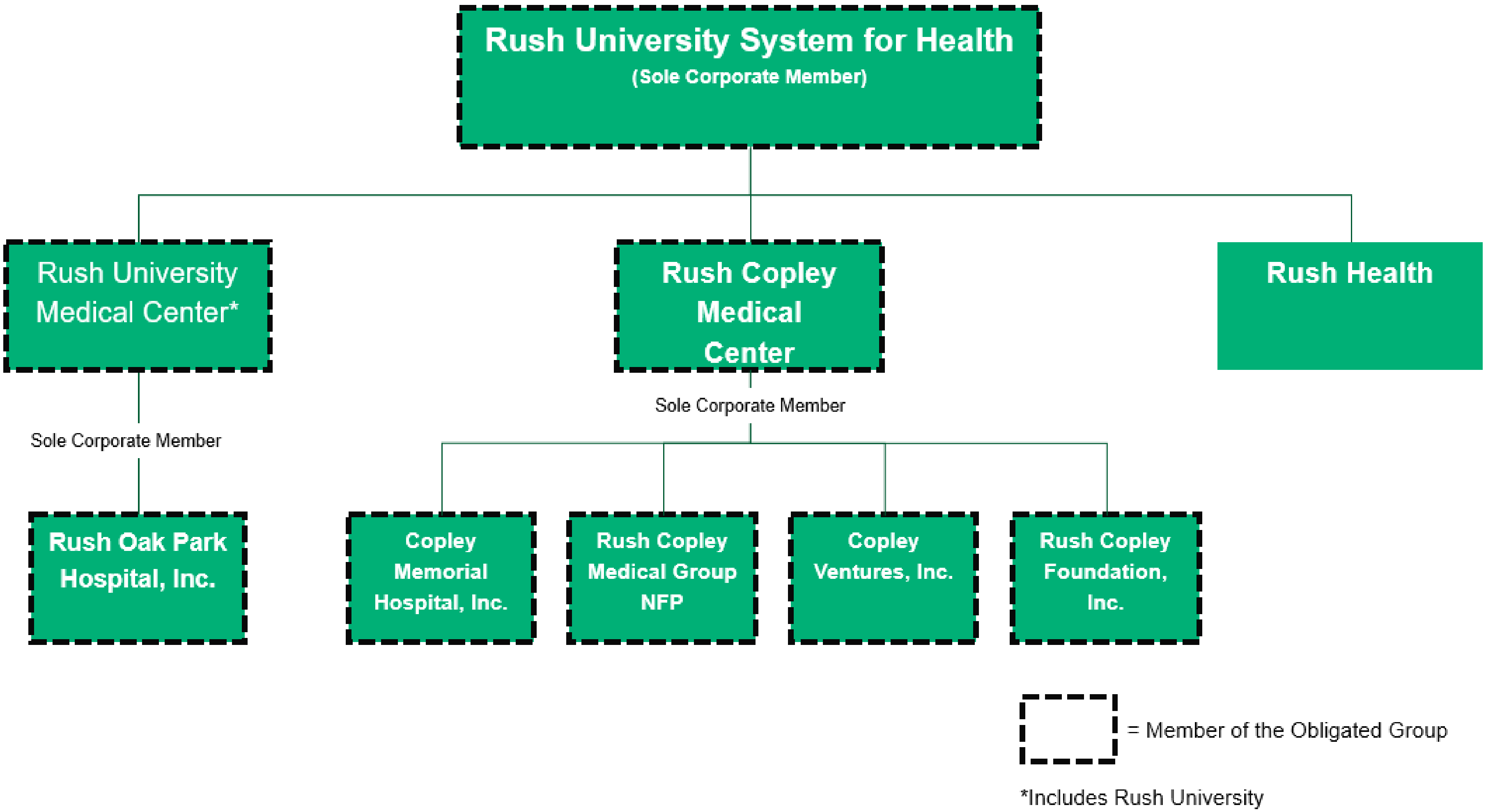
The Obligated Group

The System Parent and certain of its affiliates are members of the RUSH Obligated Group created under the Master 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 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 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 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.


Rush University System for Health
(Sole Corporate Member)
Rush University Medical Center*
Rush Copley Medical Center
Rush Health
Sole Corporate Member
Sole Corporate Member
Rush Oak Park Hospital, Inc.
Copley Memorial Hospital, Inc.
Rush Copley Medical Group NFP
Copley Ventures, Inc.
Rush Copley Foundation, Inc.
= 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 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 the fiscal year ended June 30, 2020, these non-member entities constituted approximately 1.8% 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 201 licensed bed acute care and skilled nursing 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 1,800 affiliated physicians. Rush Health manages more than $2 billion in net patient services revenues and has approximately 100,000 lives covered under a variety of commercial and governmental value-based care arrangements.

Rush Health also operates a subsidiary company, Rush Heath 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, 2020, RUSH's medical staff consists of 937 employed physicians.

THE HOSPITALS

Rush University Medical Center

History and Background

Major operations of RUMC include RUH, RUMG and Rush University, a 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.

Recognition

For the first time in its history, RUMC has earned a top spot on U.S. News and World Report's annual Best Hospitals Honor Roll. This year, RUMC holds the 17th spot among the nearly 3,000 U.S. hospitals evaluated, with 11 RUSH programs ranked among the nation's best. Fewer than 5% of U.S. hospitals receive high enough scores to rank nationally in even one specialty.

In October 2020, for the fifth consecutive time, Rush University Medical Center received Magnet designation, the highest national recognition given for nursing excellence. 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

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 third largest inpatient hospital provider in this market area, with a market share of 3.4% for the fiscal year ended June 30, 2020, up from 3.2% in 2019 (an increase of 0.23%). RUMC was the adult inpatient market share leader in orthopedics services and neurosciences and third in the market in heart services and cancer.

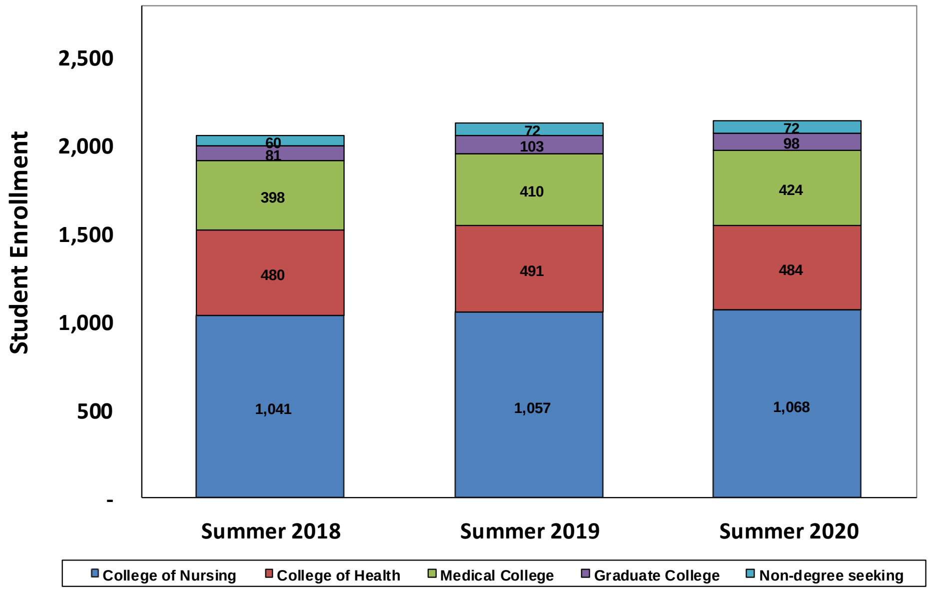
RUMC's primary service area ("PSA") consists of 22 ZIP codes that surround the RUMC main campus. These ZIP codes were responsible for 40.3% of RUMC's total discharges in fiscal year 2020. For fiscal year 2019, RUMC's PSA market share was 6.89%.

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.

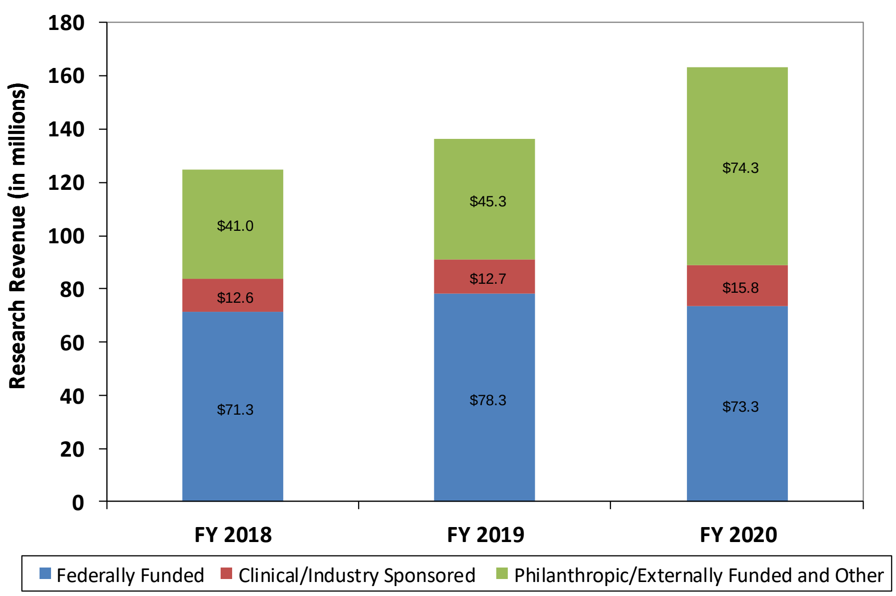
Rush University

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 2,146 students in the Summer of 2020. Total summer enrollment for 2018, 2019 and 2020 in Rush University is shown on the following table.



For the fiscal year ended June 30, 2020, RUMC research reported an excess of expenses over revenue of $29.4 million that was supported from operating income. As seen on the chart below, in fiscal year 2020, RUMC research reported $73.3 million in federally funded research revenue, $15.8 million in clinical/industry sponsored research revenue and $74.3 million in philanthropic/externally funded and other research revenue.



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 RUSH for the fiscal year ended June 30, 2020 and 2019.

Historical Utilization of Services

	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Beds:		
Licensed	1,138	1,124
Staffed	988	973
Utilization Statistics:		
Admissions	49,387	51,376
Patient Days	244,303	248,795
Average length of stay	4.95	4.84
Adjusted Discharges	106,378	113,254
Occupancy:		
RUMC	70.4%	77.0%
ROPH	47.8%	43.3%
RCMC	69.8%	65.1%
Obligated Group	67.6%	70.1%
Emergency Room Visits:	172,032	176,501
Surgical Procedures:		
Inpatient	15,733	17,182
Outpatient	28,536	34,259
Total	44,269	51,441

Summary of Revenues and Expenses

The selected financial data for the fiscal year ended June 30, 2020 and 2019 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 Annual 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 the fiscal year ended June 30, 2020 and 2019 were as follows:

Summary of Statement of Operations - Obligated Group

(In thousands)	Fiscal Year Ended June 30, 2020	2019
Patient service revenue	$ 2,233,576	$ 2,315,770
Other operating revenue	422,312	295,494
Total operating revenue	2,655,888	2,611,264
Salaries, wages and employee benefits	1,416,583	1,349,233
Supplies, utilities and other	808,827	787,850
Professional liability and other insurance	66,075	56,226
Purchased services	256,037	209,018
Depreciation and amortization	156,706	126,899
Interest	28,404	24,165
Total operating expenses	2,732,632	2,553,391
Operating (loss) income	(76,744)	57,873
Non-operating (expense) income	(103,093)	22,735
(Deficit) excess of revenue over expenses	$ (179,837)	$ 80,608

(1) Net patient service revenue is net of implicit and explicit price concessions for the fiscal year ended June 30, 2020 and 2019.

(2) The total operating expenses for the twelve months ended June 30, 2019 have been restated due to the adoption of ASU No. 2017-07, *Compensation-Retirement Benefits*. The restatement includes a reclassification of $4.2 million, which increased salaries and wages expense and increased non-operating income and the reclassification of the $23.3 million pension settlement expense from operating to non-operating income. The restatement did not have an impact on excess of revenues in over expenses.

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 the fiscal year ended June 30, 2020 and 2019:

Sources of Gross Patient Service Revenue - Obligated Group

	Fiscal Year Ended June 30, 2020	2019
Medicare	30.9 %	31.5 %
Medicare Managed Care	8.0	7.2
Medicaid	4.2	4.7
Medicaid Managed Care	16.1	15.8
Blue Cross	23.7	24.2
Managed Care	13.4	13.2
Commercial & Self-Pay	3.8	3.5
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 the twelve months ended June 30, 2020 and 2019 was as follows:

Illinois Hospital Assessment Program Impact

	Fiscal Year Ended June 30,	
(In thousands)	**2020**	**2019**
Patient service revenue	$ 106,576	$ 105,985
Supplies, utilities and other expense	63,414	63,718
Operating income	$ 43,162	$ 42,267

Recent Financial Performance – Fiscal Years Ended June 30, 2020 and 2019

Drivers of Performance – Operating Revenue – Operating revenue for RUSH increased by 1.7% when comparing the fiscal year ended June 30, 2020 to fiscal year ended June 30, 2019. The largest contributor to operating revenue is patient service revenue in the hospitals contributing 70.6% of operating revenue for the fiscal year ended June 30, 2020.

RUSH Revenue Sources

	Fiscal Year Ended June 30,			
	2020		**2019**	
	Operating Revenue	% of Total	Operating Revenue	% of Total
Patient Service Revenue:				
Hospitals	$ 1,875,328	70.6%	$ 1,951,953	74.8%
Physician Practice Plans	358,248	13.5%	363,817	13.9%
University Services:				
Research	164,949	6.2%	135,302	5.2%
Education (*)	81,530	3.1%	78,129	3.0%
Other Operating Activities	176,538	6.6%	82,063	3.1%
Total	$ 2,656,593	100.0%	$ 2,611,264	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 decreased by $82.2 million or 3.5% in fiscal year ended June 30, 2020 compared to fiscal year ended June 30, 2019.

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 59.1% of the Obligated Group's gross patient service revenues for fiscal year ended June 30, 2020 and June 30, 2019. 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, 2020 and 2019, by major payor source and by lines of business, was as follows:

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

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

Physician Practice Plans – Total patient service revenue from the physician practice plans decreased $5.6 million or 1.5% from the fiscal year ended June 30, 2020 versus the fiscal year ended June 30, 2019 due to decreased volumes.

Other Operating Revenue – Other operating revenue represented 15.9% of total operating revenue and increased $127.5 million or 43.2% for the fiscal year ended June 30, 2020 compared to the fiscal year ended June 30, 2019. Other operating revenue consists primarily of external funding for research and internal fund support to research (39%), tuition and educational grants (19%) and other non-patient care service activities including federal stimulus funds (42%).

Drivers of Performance – Operating Expense – Operating expenses increased by 7.5% when comparing fiscal year ended June 30, 2020 to fiscal year ended June 30, 2019. Operating costs as a percentage of operating revenue for the fiscal year ended June 30, 2020 and June 30, 2019 were as follows:

RUSH Operating Costs as a Percentage of Operating Revenue

	Fiscal Year Ended June 30,	
	2020	**2019**
Salaries, wages and employee benefits	53.7%	51.7%
Supplies, utilities and other (including purchased services)	40.2%	38.2%
Depreciation and amortization	5.9%	4.9%
Professional liability and other insurance	2.5%	2.2%
Interest	1.1%	0.9%

Salaries, wages and employee benefits increased by $76.4 million or 5.7% for the fiscal year ended June 30, 2020 when compared to fiscal year ended June 30, 2019.

The table below shows the employed FTEs and employed physicians for RUSH at June 30, 2020 and 2019:

FTE and Employed Physicians Statistics

	As of Jun 30,		Percent
	2020	**2019**	**Change**
Number of Full-time Equivalents	13,410	12,058	11.2%
Number of Employed Physicians	937	746	25.6%

Note: Of the 13,410, FTEs, approximately 6.4% of non-clinical employees are represented by a union.

From the fiscal year ended June 30, 2020 to June 30, 2019, supplies, utilities and other expense, including purchased services, increased $71.2 million or 7.1%. Additionally, depreciation and amortization expense increased by $30.0 million or 23.6% where $5.8 million depreciation was attributed to prior year completed capital activities. Professional liability and other insurance cost RUSH $66.1 million during the fiscal year ended June 30, 2020, which was an increase of $9.9 million or 17.7% from the fiscal year ended June 30, 2019. Interest expense was $28.4 million during the fiscal year ended June 30, 2020, an increase of $4.3 million or 17.7% from fiscal year ended June 30, 2019.

Significant Nonrecurring Items – During the twelve months ended June 30, 2020 and June 30, 2019, significant nonrecurring items impacted RUSH's reported operating income as follows:

(In millions)	June 30, 2020	June 30, 2020 Operating Margin	June 30, 2019	June 30, 2019 Operating Margin
Operating income reported	**($88.5)**	**-3.3%**	**$57.9**	**2.2%**
Items impacting operating revenue	76.2	2.9	(16.5)	(0.6)
Items impacting operating expenses	74.5	2.8	47.2	1.8
Total adjustments	**150.8**	**5.7**	**30.7**	**1.2**
Operating income	**$62.2**	**2.3%**	**$88.6**	**3.4%**

Nonrecurring items for the fiscal year ended June 30, 2020 includes the COVID-19 related expenses and stimulus revenue and other miscellaneous initiatives.

Non-operating Income/Expense – Total non-operating expense increased by $125.8 million or 553.5% for the fiscal year ended June 30, 2020 compared to the fiscal year ended June 30, 2019. As described on pages 29 - 30 of the Recent Transactions, there were significant transactions related to Debt Rate Lock settlement and Pension settlement that attributed to the increase in total non-operating expense.

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. 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.

Obligated Group Liquidity

(In thousands)	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Unrestricted cash and cash equivalents	$ 559,779	$ 118,518
Unrestricted marketable securities	1,241,061	1,181,345
Total unrestricted cash and marketable securities	1,800,840	1,299,863
Total operating expenses	2,732,632	2,576,626
Depreciation and amortization	156,706	126,899
Pension settlement expense	-	23,235
Total operating expenses less depreciation, amortization and pension settlement	$ 2,575,926	$ 2,426,492
Days cash on hand	255.9	195.5

(1) The total operating expenses for the twelve months ended June 30, 2019 have been restated due to the adoption of ASU No. 2017-07, *Compensation-Retirement Benefits*. The restatement includes a reclassification of $4.2 million, which increased salaries and wages expense and increased non-operating income and the reclassification of the $23.2 million pension settlement expense from operating to non-operating income. The restatement did not have an impact on excess of revenues in over expenses. Prior year ratios have not been restated for the adoption.

Capitalization

The following table reflects the Obligated Group's historical long-term indebtedness as a percentage of total capitalization for the fiscal years ended June 30, 2020 and 2019:

Historical Long-Term Capitalization

(In thousands)	Fiscal Year Ended June 30, 2020	Fiscal Year Ended June 30, 2019
Long-term debt	$ 986,935	$ 631,022
Capital leases and other financing arrangements	41,747	43,727
Total debt	1,028,682	674,749
Net assets without donor restrictions	1,567,468	1,726,934
Total Capitalization	$ 2,596,150	$ 2,401,683
Capitalization Ratio	39.6%	28.1%

Liquidity and Capital Resources – By fiscal year end June 30, 2020, the Obligated Group's unrestricted cash and investments at market value increased by $500.9 million or 38.5% from June 30, 2019. The days cash on hand increased 60.4 days to 255.9 days as of June 30, 2020 from 195.5 as of June 30, 2020. Included in unrestricted cash and investments was $128.8 million and $142.6 million of Specific Purpose Fund balances as of June 30, 2020 and June 30, 2019, respectively, and $58.5 million and $64.6 million of appreciation on the unrestricted portion of RUMC's endowment as of June 30, 2020 and June 30, 2019, respectively.

In fiscal year ended June 30, 2020, RUSH recognized $62.6 million in unrealized losses on RUSH's unrestricted cash and investments, offset by a $23.8 million funding of the RUMC pension trust, $14.3 million in payments of long-term debt and $206.3 million in capital expenditures. Excluded from unrestricted cash and investments were the following temporarily restricted assets:

- Appreciation on the restricted portion of RUMC's endowment fund of $257.1 million and $289.2 million as of June 30, 2020 and June 31, 2019, 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, 2020, the State of Illinois receivables were flat compared to June 30, 2019 due to payments received during the third quarter of FY2020. 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 $1,028.7 million and $688.6 million at June 30, 2020 and June 30, 2019, respectively. The Obligated Group's ratio of the sum of unrestricted cash and investments and debt service reserve funds to indebtedness was 175.1% at June 30, 2020 down from 188.8% at June 30, 2019.

Capital Expenditures

Total capital expenditures for RUSH amounted to $220.6 million during the fiscal year ended June 30, 2020, a $33.1 million increase from the fiscal year ended June 30, 2019. The increase is mainly attributable to the construction beginning on RUMC's campus for the Joan and Paul Rubschlager Building.

MISCELLANEOUS

New Accounting Pronouncements

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

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

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

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

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

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

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

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

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 March 3, 2020, S&P affirmed the Obligated Group's A+ rating and revised the outlook to "Stable". As of February 25, 2020, Fitch affirmed the Obligated Group's rating to AA- and revised 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, 2019, RUSH's total community benefit was $507 million, $30 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, 2020, reflects a funded ratio of 86%.
- ***Funding*** – For the past nine consecutive calendar years, RUMC contributed more than the minimum required by Employee Retirement Income Security Act and the Code funding rules. During the twelve months ended June 30, 2020 and 2019, RUMC contributed $17.5 million and $34.0 million, respectively, to the plan.
- ***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 health care plans have been curtailed.

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, 2020, the self-insurance trust assets had a market value of $136.1 million versus a market value of $156.8 million as of June 30, 2019. The following table shows the current asset allocation targets and ranges as well as the asset allocation as of June 30, 2020 and June 30, 2019 for the self-insurance trust:

			Percentage Trust Assets as of	
Asset Class	**Target Allocation and Range**		**Jun 30, 2020**	**Jun 30, 2019**
Fixed Income	70%	(+/-5%)	69.9%	71.0%
Domestic Equity	30%	(+/-5%)	29.9%	29.0%
Cash/Money Market	0%	(+/-5%)	0.2%	0.0%
Total			100%	100%

RUMC uses the total return concept to record returns on investments in its self-insurance trust. RCMC maintains a portfolio of unrestricted cash and investments which it utilizes to fund its self-insurance obligations.

Fair Value Measurements

As of June 30, 2020 and 2019, RUSH held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trusteed and other investments, derivative instruments, and beneficial interests in trusts.

Valuation Principals

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

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

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

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

Fair Value Measurements at the Consolidated Balance Sheet Date

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

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

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

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

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

Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

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

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

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

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

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

Level 3 Rollforward

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

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

Investments in Entities that Report Fair Value Using NAV

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

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

Fund Investments — Investments within this category consist of fixed income, public equity and multi-asset funds. The fair value of fixed income and public equity funds classified at NAV are primarily determined using the calculated NAV at the valuation date under a market approach. This includes investments in commingled funds that invest primarily in domestic and foreign equity securities whose underlying values have a readily determinable market value or based on a 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 the attributes relating to the nature and risk of such investments as of June 30, 2020:

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

Endowment Investment and Spending Policies

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

RUMC has an Investment Committee with the authority discharged from the RUMC Board of Trustees to oversee 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, 2020 and 2019, are as follows:

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

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

The System Parent Board of Trustees approves the annual spending policy for program support. In establishing the annual spending policy, RUSH's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.0% for the fiscal years ended June 30, 2020 and 2019 and income from the endowment fund provided $21.0 and $20.1 million of support for RUSH's programs during the fiscal years ended June 30, 2020 and 2019, respectively.

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.

Interest Rate Swap Agreements

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

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

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

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

The fair value of the Swap Agreements reported in RUSH's consolidated balance sheets as of June 30, 2020 and 2019, includes an adjustment for the Obligated Group's credit risk and may not be indicative of the termination value that RUSH would be required to pay upon early termination of the Swap Agreements.

Management has not designated the Swap Agreements as hedging instruments. Amounts recorded in the accompanying consolidated statements of operations and changes in net assets for the Swap Agreements allocated to RUSH for the fiscal years ended June 30, 2020 and 2019, were as follows:

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

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 the fiscal year ended June 30, 2020 and 2019, the Obligated Group has spent $143.0 and $151.0 million, respectively, on IT expenditures, which represents 5.4% and 5.8% of its operating revenue.

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 FY2020. RUSH will continue to assess its labor costs and plans during FY2021 and implement the necessary actions based on COVID-19 and overall economic conditions.

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.

During fiscal year 2020, RUSH, on behalf of the defined benefit plans for RUMC and ROPH, continued to de-risk its open defined benefit plan for certain eligible employees. RUSH completed a risk transfer of certain retiree liabilities to an insurance company that went into effect June 1, 2020. The risk transfer was for $125.9 million of plan assets and liabilities that resulted in a one-time non-cash settlement of $40.4 million. The settlement is included in non-operating losses within the consolidated statement of operations and changes in net assets.

Significant one-time non-operating losses materially impacted the financials during fiscal year 2020. As described in the disclosures above, the rate lock settlement and pension settlement were approximately $102.9 million of the total $103.1 million non-operating losses. The RUSH operating investment portfolios resulted in positive returns over fiscal year 2020 given the decline in rates that occurred during the COVID-19 pandemic.

As described on page 20, RUSH adopted ASU No. 2016-02, *Leases*, effective July 1, 2019. RUSH records operating lease right-of-use assets at the present value of future lease payments. Amortization of the operating lease right-of-use assets is included in the accompanying consolidated statement of operations and changes in net assets within supplies, utilities and other expense. On July 1, 2019, the adoption resulted in an increase of $158 million in operating right-of use assets and operating lease liabilities. In addition, RUSH recognized an increase to net assets without donor restrictions of $34.5 million from a cumulative effect of change in accounting principle, which was related to the remaining deferred gain on sale of property from previous sale leaseback transactions.

As described on page 20, RUSH adopted ASU No. 2017-07, Compensation – Retirement Benefits, effective July 1, 2019. The ASU requires entities to disaggregate the current service component from other components within the net benefit cost. The service cost component will remain with salaries and wages expenses within the consolidated statement of operations and changes in net assets, while the other non-service components are now recorded within non-operating income. While the adoption did not have a material impact on the consolidated financial statements, the adoption resulted in $5.2 million and $4.2 million to be reclassified to investment income within non-operating income for the fiscal year ended June 30, 2020, and 2019, respectively.

In August 2019, the Obligated Group issued Series 2019 fixed-rate tax exempt revenue bonds for $36.8 million, the proceeds of which were used to pay off the outstanding line of credit borrowings of $36.5 million and reimburse RCMC for certain costs. The bonds mature on September 1, 2049.

RUMC has received and is cooperating with a subpoena from the federal government for records reflecting work by, and communications with, government relations consultants for the period 2014 to the present.

There were no other significant or material transactions outside the ordinary course of business during the twelve months ended June 30, 2020.

Subsequent Events

Rush has evaluated events occurring subsequent to the consolidated balance sheet date through October 28, 2020, 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.

On July 20th, RUSH received $56.2 million from the U.S. Department of Health and Human Services (HHS) in the second round of high impact funding related to the CARES Act. The cash and revenue were recorded when received in July 2020, which is when the revenue recognition criteria were met. On September 19, 2020 and October 22, 2020, HHS updated their guidelines for reporting CARES Act monies received from HHS, including the basis for which they can be recognized. The changes to the guidelines do not result in a material impact to the revenue recognized from these monies as of June 30, 2020 or the amount of revenue recognized subsequent to year end.

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

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

On September 30, 2020, the U.S. Senate passed the Continuing Appropriations Act, 2021 and Other Extensions which among other things, revised the Medicare Accelerated and Advance Payment Program repayment terms. Under the original regulations the advances were all due within one year of receipt and therefore all included as a current liability in estimated third-party settlements and advances payable in the accompanying consolidated balance sheet. Under the new regulations approximately $14.0 million would remain classified as current liabilities and the remaining $217.7 million would be reclassified to a long- term in the accompanying consolidated balance sheet.

On October 9, 2020, RUSH paid off its $75.0 million line of credit that was due on December 31, 2022.

CONSOLIDATED FINANCIAL STATEMENTS

RUSH UNIVERSITY SYSTEM FOR HEALTH

Consolidated Balance Sheet

(Dollars in thousands)

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

Note 1: The June 30, 2020 financial statement information was derived from and should be read in conjunction with the Rush University System for Health 2020 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)

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

Note 1: The June 30, 2020 financial statement information was derived from and should be read in conjunction with the Rush University System for Health 2020 Audited Consolidated Financial Statements.

Note 2: As described on page 15 of the Annual Report, the twelve months ended June 30, 2019 includes a reclassification of pension related activity as a result of adopting ASU No. 2017-07, Compensation – Retirement Benefits in FY2020. The reclassification increased salaries & wages expense and increased non-operating income by $4.2 million and results in a reclassification of $23.3 pension settlement expense to non-operating for the twelve month period ended June 30, 2019.

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)

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

Note 1: The June 30, 2020 financial statement information was derived from and should be read in conjunction with the Rush University System for Health 2020 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)

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

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Right of use assets obtained in exchange for new operating lease liabilities	$ 3,556	$ -
Cash paid for interest	$ 30,574	$ 26,906
Net asset transfer of newly affiliated entity	$ 8,651	$ -
Noncash additions to property and equipment	$ 20,829	$ 21,228

Note 1: The June 30, 2020 financial statement information was derived from and should be read in conjunction with the Rush University System for Health 2020 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, 2020
(Dollars in thousands)

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
ASSETS								
CURRENT ASSETS:								
Cash and cash equivalents	$ 492,726	$ 66,632	$ 421	$ -	$ 559,779	$ 18,699	$ -	$ 578,478
Accounts receivable for patient services	292,496	55,523	-	-	348,019	-	-	348,019
Other accounts receivable	68,201	-	1,337	(11,057)	58,481	5,613	(4,992)	59,102
Self-insurance trust — current portion	30,629	-	-	-	30,629	-	-	30,629
Other current assets	91,424	13,623	10	(10)	105,047	358	(358)	105,047
Total current assets	975,476	135,778	1,768	(11,067)	1,101,955	24,670	(5,350)	1,121,275
ASSETS LIMITED AS TO USE AND INVESTMENTS:								
Investments — less current portion	987,518	253,543	-	-	1,241,061	-	-	1,241,061
Limited as to use by donor or time restriction	547,921	12,842	-	-	560,763	-	-	560,763
Self-insurance trust - less current portion	105,509	-	-	-	105,509	-	-	105,509
Total assets limited as to use and investments	1,640,948	266,385	-	-	1,907,333	-	-	1,907,333
PROPERTY AND EQUIPMENT—Net if accymulated depreciation of $1,435,667 for RUMC, $308,541 for RCMC and $5,571 for Rush Health	1,363,832	247,359	-	-	1,611,191	454	-	1,611,645
OPERATING LEASE RIGHT-OF-USE ASSETS	123,339	34,446	-	-	157,785	-	-	157,785
OTHER ASSETS	80,958	28,072	-	(11,846)	97,184	647	(4,228)	93,603
TOTAL	$ 4,184,553	$ 712,040	$ 1,768	$ (22,913)	$ 4,875,448	$ 25,771	$ (9,578)	$ 4,891,641
LIABILITIES AND NET ASSETS								
CURRENT LIABILITIES:								
Accounts payable	$ 44,971	$ 32,405	$ 1,685	$ (1,398)	$ 77,663	$ -	$ -	$ 77,663
Accrued expenses	340,770	22,156	-	(9,720)	353,206	18,055	(3,020)	368,241
Estimated third-party settlements and advances payable	339,675	76,031	-	-	415,706	-	-	415,706
Current portion of accrued liability under self-insurance programs	40,700	3,435	-	-	44,135	-	-	44,135
Current portion of long-term debt	8,160	3,615	-	-	11,775	-	-	11,775
Short-term operating lease liability	19,100	7,242	-	-	26,342	-	-	26,342
Total current liabilities	793,376	144,884	1,685	(11,118)	928,827	18,055	(3,020)	943,862
LONG-TERM LIABILITIES:								
Accrued liability under self-insurance programs— less current portion	207,496	14,783	-	-	222,279	-	-	222,279
Postretirement and pension benefits	95,924	-	-	-	95,924	-	-	95,924
Long-term debt— less current portion	772,726	127,434	-	-	900,160	-	-	900,160
Line of credit	75,000	-	-	-	75,000	-	-	75,000
Obligations under financing leases and other financing arrangements	41,499	-	-	-	41,499	-	-	41,499
Long-term operating lease liabilities	105,434	27,686	-	-	133,120	-	-	133,120
Other long-term liabilities	85,782	15,905	-	(11,846)	89,841		-	89,841
Total long-term liabilities	1,383,861	185,808	-	(11,846)	1,557,823	-	-	1,557,823
Total liabilities	2,177,237	330,692	1,685	(22,964)	2,486,650	18,055	(3,020)	2,501,685
NET ASSETS:								
Without donor restrictions	1,199,315	368,019	83	51	1,567,468	7,716	(6,558)	1,568,626
With donor restrictions	808,001	13,329	-	-	821,330	-	-	821,330
Total net assets	2,007,316	381,348	83	51	2,388,798	7,716	(6,558)	2,389,956
TOTAL	$ 4,184,553	$ 712,040	$ 1,768	$ (22,913)	$ 4,875,448	$ 25,771	$ (9,578)	$ 4,891,641

RUSH UNIVERSITY SYSTEM FOR HEALTH

Consolidating Statement of Operations and Changes in Net Assets Information

For twelve months ended June 30, 2020

(Dollars in thousands)

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
REVENUE:								
Patient service revenue	1,861,878	371,698	-	-	2,233,576	-	-	2,233,576
Tuition and educational programs revenue	81,530	-	-	-	81,530	-	-	81,530
Research revenue and net assets released from restriction and used for research and other operations	164,949	-	-	-	164,949	-	-	164,949
Other revenue	159,855	15,978	5,133	(5,133)	175,833	11,590	(10,885)	176,538
Total revenue	2,268,212	387,676	5,133	(5,133)	2,655,888	11,590	(10,885)	2,656,593
EXPENSES:								
Salaries, wages and employee benefits	1,192,788	223,795	2,144	(2,144)	1,416,583	9,043	-	1,425,626
Supplies, utilities and other	713,095	95,732	113	(113)	808,827	2,166	(40)	810,953
Insurance	58,757	7,318	4	(4)	66,075	88	-	66,163
Purchased services	203,182	52,855	2,872	(2,872)	256,037	1,039	-	257,076
Depreciation and amortization	128,906	27,800	-	-	156,706	156	-	156,862
Interest and fees	23,499	4,905	-	-	28,404	33	-	28,437
Total expenses	2,320,227	412,405	5,133	(5,133)	2,732,632	12,525	(40)	2,745,117
OPERATING (LOSS) INCOME	(52,015)	(24,729)	-	-	(76,744)	(935)	(10,845)	(88,524)
NON-OPERATING (LOSS) INCOME								
Investment income and other - net	7,291	8,626	-	-	15,917	-	-	15,917
Contributions without donor restrictions	724	177	-	-	901	-	-	901
Fundraising expenses	(12,367)	(628)	-	-	(12,995)	-	-	(12,995)
Pension settlement expense	(40,445)	-	-	-	(40,445)	-	-	(40,445)
Debt rate lock settlement	(62,500)	-	-	-	(62,500)	-	-	(62,500)
Change in fair value of interest rate swaps	(876)	(3,020)	-	-	(3,896)	-	-	(3,896)
Loss on debt refunding	(75)	-	-	-	(75)	-	-	(75)
Total non-operating (loss) income	(108,248)	5,155	-	-	(103,093)	-	-	(103,093)
(DEFICIT) EXCESS OF REVENUES OVER EXPENSES	$ (160,263)	$ (19,574)	$ -	$ -	$ (179,837)	$ (935)	$ (10,845)	$ (191,617)

(Continued)

Note 1: Effective August 12, 2019, RUSH became the sole corporate member of Rush Health, an Illinois-not-for-profit taxable corporation that provides payor and employer contracting, data aggregation and analysis, care coordination, and quality and process improvement services to its members. Prior to this, Rush Health was treated as a joint venture and any income was recorded using the equity method of accounting, as described in the audited financial statements.

Rush Health's current fiscal year-end is December 31st. For the twelve month period ended December 31, 2019, Rush Health had total operating revenue of $15.5 million, total expenses of $15.7 million, and net loss of $242 thousand. For the period August 12, 2019 through December 31, 2019, which is consolidated within the June 30, 2020 RUSH financials, Rush Health had total operating revenue of $2.3 million, expenses of $6.2 million, and a net loss of $3.9 million. For the period, January 1, 2020 through June 30, 2020, which is consolidated within the June 30, 2020 RUSH financials, Rush Health had total operating revenue of $9.3 million, expenses of $6.6 million and net income of 2.9 million. The twelve month period ended December 31, 2019 for Rush Health is audited.

RUSH UNIVERSITY SYSTEM FOR HEALTH

Consolidating Statement of Operations and Changes in Net Assets Information

For twelve months ended June 30, 2020

(Dollars in thousands)

	RUMC	RCMC	Rush System for Health Parent	Eliminations	Obligated Group Consolidated	Rush Health	Eliminations	Rush System for Health Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS								
(Deficit) excess of revenues over expenses	$ (160,263)	$ (19,574)	$ -	$ -	$ (179,837)	$ (935)	$ (10,845)	$ (191,617)
Net assets released from restrictions used for the purchase of property and equipment	2,021	-	-	-	2,021	-	-	2,021
Postretirement related changes other than net periodic postretirement cost	(12,794)	-	-	-	(12,794)	-	-	(12,794)
Cumulative effect of change in accounting principle - Adoption of ASU No. 2016 - 02, *Leases*	29,941	4,591	-	-	34,532	-	-	34,532
Other	(3,387)	(135)	-	-	(3,522)	8,651	4,287	9,416
(DECREASE) INCREASE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	(144,481)	(15,118)	-	-	(159,599)	7,716	(6,558)	(158,441)
NET ASSETS WITH DONOR RESTRICTIONS								
Pledges, contributions and grants	161,383	965	-	-	162,348	-	-	162,348
Net assets released from restrictions	(160,952)	(1,093)	-	-	(162,045)	-	-	(162,045)
Net realized and unrealized gains (losses) on investments	(17,119)	468	-	-	(16,651)	-	-	(16,651)
(DECREASE) INCREASE IN NET ASSETS WITH DONOR RESTIRCTIONS	(16,688)	340	-	-	(16,348)	-	-	(16,348)
DECREASE IN NET ASSETS	(161,169)	(14,778)	-	-	(175,947)	7,716	(6,558)	(174,789)
NET ASSETS—Beginning of year	2,168,484	396,127	83	51	2,564,745	-	-	2,564,745
NET ASSETS—End of year	$ 2,007,315	$ 381,349	$ 83	$ 51	$ 2,388,798	$ 7,716	$ (6,558)	$ 2,389,956

(Concluded)

Financial Results Compared to Budget for the Fiscal Year Ended June 30, 2020

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 the fiscal year ended June 30, 2020 is presented below for the Obligated Group.

Summary of Statement of Operations - Obligated Group

	Fiscal Year Ended June 30, 2020	
(In thousands)	**Actual**	**Budget**
Patient service revenue	$ 2,233,576	$ 2,450,148
Other operating revenue	422,312	308,219
Total operating revenue	2,655,888	2,758,367
Salaries, wages and employee benefits	1,416,583	1,430,095
Supplies, utilities and other	808,827	801,169
Professional liability and other insurance	66,075	64,303
Purchased services	256,037	207,935
Depreciation and amortization	156,706	154,907
Interest	28,404	26,334
Total operating expenses	2,732,632	2,684,743
Operating (loss) income	(76,744)	73,624
Non-operating (expense) income	(103,093)	45,277
(Deficit) excess of revenue over expenses	$ (179,837)	$ 118,901

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]			$	(46,693)
Add: Depreciation expense				156,706
Add: Interest expense				28,404
Revenues available for debt service			$	138,417
Maximum annual debt service [2]			$	66,839
Revenues available for debt service	$	138,417		2.07
Maximum annual debt service [2]	$	66,839		
Ratio exceeds 1.20	(please check)			X

II. DAYS CASH ON HAND:

Unrestricted cash and cash equivalents			$	559,779
Add: Unrestricted marketable securities				1,241,061
Unrestricted cash and marketable securities			$	1,800,840
Number of days in period				366
Unrestricted cash and marketable securities x 366			$	659,107,440
Total operating expenses				2,732,632
Less: Depreciation expense				(156,706)
Total operating expenses - depreciation expense			$	2,575,926
Unrestricted cash and marketable securities x 366	$	659,107,440		255.9
Total operating expenses - depreciation expense	$	2,575,926		
Days exceed 65	(please check)			X

[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.

[2] Amounts related to operating leases now recorded on the balance sheet (Operating lease right-to-use assets) due to the adoption of ASU No. 2016-02 as discussed on pages 20 - 21 are excluded from the covenant calculations.

Covenant Compliance Certificate – Continued

(Dollars in Thousands)

III. HISTORICAL DEBT SERVICE COVERAGE RATIO:

Net income, excluding net gains and losses on sales [1]			$	(46,693)
Add: Depreciation expense				156,706
Add: Interest expense				28,404
Revenues available for debt service			$	138,417
Payments of debt			$	16,794
Add: Interest expense				28,404
Annual debt service [2]			$	45,198
Revenues available for debt service	$	138,417		3.06
Annual debt service [2]	$	45,198		
Ratio exceeds 1.10	(please check)			X

[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.

[2] Amounts related to operating leases now recorded on the balance sheet (Operating lease right-to-use assets) due to the adoption of ASU No. 2016-02 as discussed on pages 20 - 21 are excluded from the covenant calculations.

Board Leadership

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

Name	Professional Affiliation	Years of Service
Susan Crown *Chairman*	Chairman and CEO, Owl Creek Partners LLP	34
Peter C. B. Bynoe	Managing Director, Equity Group Investments	27
Christine A. Edwards	Chair, Bank Regulatory Group, Winston & Strawn	19
William M. Goodyear	Retired Executive Chairman, Navigant Consulting	25
William A. Downe	Former Chief Executive Officer, BMO Financial Group	10
Sandra P. Guthman	Chairman, Polk Bros. Foundation	13
Jay L. Henderson	Retired Vice Chairman, Client Service, PricewaterhouseCoopers LLP	17
Stephen N. Potter	Retired Vice Chairman, Northern Trust Corporation	11
Carole B. Segal	President, Segal Family Foundation	29
David E. Coolidge III	Vice Chairman, William Blair & Company, LLC	34
Catherine Cederoth	Director, Huron Consulting Group	21
Bruce W. Dienst	President and CEO, Simpson Technologies Corporation	21
Mark Metzger	Founder and Principal, Law Offices of Mark C. Metzger	21

Medical Staff

The following table presents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2020:

Specialty	Total Medical Staff	% Board Certified	Average Age
Anesthesiology	48	86%	46
Cardiovascular-Thoracic Surgery	28	93%	51
Dermatology	17	100%	55
Diagnostic Radiology & Nuclear Medicine	41	100%	47
Emergency Medicine	42	88%	39
Family Medicine	24	100%	48
Internal Medicine	361	94%	48
Neurological Sciences	54	98%	46
Neurological Surgery	21	95%	50
Obstetrics & Gynecology	48	92%	50
Ophthalmology	44	98%	53
Orthopedic Surgery	68	75%	46
Otorhinolaryngology	27	96%	49
Pathology	102	100%	55
Pediatrics	98	94%	47
Physical Medicine and Rehabilitation	12	100%	45
Preventive Medicine	2	100%	63
Psychiatry	44	95%	51
Radiation Oncology	9	88%	48
Surgery	54	94%	50
TOTAL / AVERAGE	**1144**	**94%**	**49**

Medical Staff

The following table presents information relating to the composition of the Medical Staff of Rush Copley Medical Center as of June 30, 2020:

Specialty	Total Medical Staff	% Board Certified	Average Age
Allergy/Immunology	6	100%	47.6
Anesthesia	11	100%	37.9
Cardio-Electrophysiology	2	100%	33.5
Cardiology, Interventional	8	100%	50.25
Cardiology	6	100%	40.5
Critical Care	5	80%	48.6
Dentistry	2	0%	53.5
Dermatology	6	100%	52.1
Emergency Medicine	37	100%	43
Endocrinology, Diabetes, & Metabolism	3	100%	46
Family Medicine	39	97%	44.74
Gastroenterology	14	100%	46.42
Gyne Onc	1	100%	45
Gynecology	2	100%	66
Hematology/Oncology	8	100%	56
Infectious Disease	3	100%	51.3
Internal Medicine	52	94%	44
Maternal Fetal Medicine	5	100%	55.8
Neonatology	9	100%	47.8
Nephrology	8	100%	53.6
Neurosurgery	4	100%	46.5
Neurology	6	83%	51
Obstetrics & Gynecology	23	100%	51.7
Ophthalmology	9	100%	57
Otolaryngology	6	100%	48.1
Pathology	5	100%	59.8
Pediatric Anesthesia	2	100%	44
Pediatric Cardiology	9	100%	44.8
Pediatric Gastroenterology	1	100%	37
Pediatric Genetics	1	100%	58
Pediatric Neurology	4	100%	53.25
Pediatric Ophthalmology	1	100%	56
Pediatric Pulmology	1	100%	39
Pediatric Radiology	25	100%	44.5
Pediatric Surgery	4	100%	46
Pediatric Urology	1	100%	59
Pediatrics	32	94%	45.4
Physiatry	9	100%	39.2
Psychiatry	2	100%	47.5
Pulmology	9	100%	44.8
Radiation Oncology	3	100%	39
Radiology	12	100%	47.8
Reproductive Endocrinology	3	100%	55.6
Sports Medicine	1	100%	42
Cardiothoracic Surgery	10	100%	48.7
General Surgery	12	100%	50.8
Vascular Surgery	4	100%	54.25
Hand Surgery	4	100%	40.5
Orthopedic Surgery	9	100%	51
Plastic Surgery	1	100%	38
Podiatric Surgery	21	95%	49
Thoracic Surgery	4	100%	43.25
Teleneurology	7	100%	34.8
Teleradiology	25	100%	43.5
Urogynecology	6	100%	48.3
Urology	2	100%	42
TOTAL / AVERAGE	**505**	**98%**	**47**

Medical Staff

The following table presents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2020:

Specialty	Total Medical Staff	% Board Certified	Average Age
Advanced Heart Failure and Transplant Cardiology	2	100%	39
Allergy & Immunology	8	100%	47
Anesthesiology	17	94%	49
Cardiovascular Disease	20	100%	50
Clinical Cardiac Electrophysiology	5	80%	40
Colon and Rectal Surgery	2	100%	50
Complex General Surgical Oncology	1	100%	40
Critical Care Medicine	3	100%	40
Dentistry	1	0%	65
Dermatology	8	100%	48
Diagnostic Radiology	30	100%	48
Emergency Medicine	27	81%	40
Endocrinology, Diabetes and Metabolism	6	100%	49
Epilepsy	1	100%	38
Family Medicine	33	82%	49
Female Pelvic Medicine and Reconstructive Surgery	5	80%	41
Foot and Ankle Surgery	9	89%	61
Foot Surgery	8	50%	46
Gastroenterology	21	95%	48
Geriatric Medicine	3	100%	46
Gynecologic Oncology	3	100%	42
Hematology	4	50%	55
Infectious Disease	15	93%	49
Internal Medicine	29	79%	53
Internal Medicine/Pediatrics	1	100%	54
Interventional Radiology and Diagnostic Radiology	8	100%	43
Intervetional Cardiology	10	100%	52
Medical Oncology	9	100%	52
Nephrology	12	100%	51
Neurology	14	100%	44
Neurology with Special Qualifications in Child Neurology	1	100%	54
Neuropathology	1	100%	52
Neuroradiology	4	100%	47
Nuclear Medicine	1	100%	39
Obstetrics and Gynecology	11	64%	40
Occupational Medicine	1	0%	77
Opthalmology	12	100%	58
Oral and Maxillofacial Surgery	1	100%	50
Orthopaedic Sports Medicine	7	86%	50
Orthopaedic Surgery	12	75%	51
Otolaryngology - Head and Neck Surgery	4	100%	49
Pathology	14	86%	49
Pediatric Cardiology	2	100%	44
Pediatrics	1	100%	63
Physical Medicine and Rehabilitation	10	80%	40
Plastic Surgery	7	100%	44
Psychiatry	8	88%	42
Pulmonary Disease	7	100%	49
Radiation Oncology	9	89%	47
Rheumatology	4	100%	43
Sleep Medicine	2	100%	52
Sports Medicine	3	100%	46
Surgery	23	83%	50
Surgery of the Hand	4	75%	48
Surgical Critical Care	4	100%	44
Thoracic and Cardiac Surgery	5	100%	50
Transplant Hepatology	7	100%	52
Urology	15	80%	51
Vascular Neurology	2	100%	38
Vascular Surgery	4	100%	49
Total/Average	**501**	**90%**	**48**