RUSH

Rush University System for Health

Annual Report
For the Fiscal Year Ended June 30, 2019
Audited

Rush Copley Medical Center
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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.

PURPOSE OF THE ANNUAL REPORT

The purpose of this Annual Report is to present certain financial and operating information for the Rush University Medical Center Obligated Group (the Obligated Group consists of Rush University Medical Center ("RUMC"), Rush Oak Park Hospital ("ROPH"), Rush Copley Medical Center ("RCMC"), Copley Memorial Hospital ("CMH"), Rush Copley Foundation ("Copley Foundation"), Copley Ventures ("Copley Ventures") and Rush Copley Medical Group ("RCMG")) for fiscal years ended June 30, 2019 and 2018, and management's discussion and analysis of the Obligated Group's financial condition and results of operations for fiscal year ended June 30, 2019. 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.

Historically, the Annual Reports have been for the Obligated Group. Effective March 1, 2017, RUMC and RCMC reorganized their operations under a common corporate parent, Rush System for Health, an Illinois not-for-profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Code, led by a board of trustees that oversees the fully integrated academic health system (collectively, "Rush University System for Health," the "Parent," and "RUSH"). This new 13-member board of trustees (the "RUSH Parent Board") is responsible for overseeing the vision and strategy for RUSH, including RUMC, RCMC, ROPH and their respective subsidiaries. The RUSH Parent Board will initially consist of RUMC and RCMC board members. RUMC, RCMC, and ROPH will each maintain their respective leadership, hospital board and organizational structure. The RUSH Parent Board provides oversight of RUSH as described in more detail below, but the Parent has minimal assets and operating activities at this time.

The financial and operating data in the Annual Report continues to be presented on a consolidated basis for the Obligated Group. Consolidating schedules for RUSH are included on pages 44 - 46 of this report. For fiscal year ended June 30, 2019, the Obligated Group Members constituted approximately 98.8% of the total revenue of RUSH. See "OVERVIEW OF THE 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 the Obligated Group 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 acting Senior Vice President and Chief Financial Officer of Rush University Medical Center, 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, 2019.

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 16th day of October, 2019.

RUSH UNIVERSITY MEDICAL CENTER
As Group Representative

By: John P. Mordach
John P. Mordach

Its: Senior Vice President and Chief Financial Officer

Acknowledgment of Receipt:

Digital Assurance Certification (DAC)
As Dissemination Agent

By: Shana Blanchard
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, Inc. (“RCMC”)
5. Rush Copley Foundation (“Copley Foundation”)
6. Copley Ventures, Inc. (“Copley Ventures”)
7. Rush Copley Medical Group NFP (“RCMG”)

Selected Financial Results and Other Information

The selected financial data for fiscal years ended June 30, 2019 and 2018 are derived from audited consolidated financial statements of the Obligated Group. The audited consolidated financial statements include all adjustments, including normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of the annual results:

(Dollars in thousands)

Financial Results for the	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Impact	
Total operating revenue	$ 2,611,264	$ 2,432,637	$ 178,627	7.3%
Total operating expenses - Excluding Pension Settlement Expense (2)	2,553,391	2,338,655	(214,736)	-9.2%
Adjusted operating income	57,873	93,982	(36,109)	-38.4%
Pension settlement expense	23,235	-	(23,235)	
Operating income (1)	34,638	93,982	(59,344)	-63.1%
Non-operating income	45,970	32,596	13,374	41.0%
Excess of revenue over expenses	80,608	126,578	(45,970)	-36.3%
Operating Cash Flow Margin (2)	208,937	245,761	(36,824)	-15.0%

Selected Balance Sheet Information as of	June 30, 2019	June 30, 2018	Impact	
Unrestricted cash and investments	$ 1,299,863	$ 1,298,659	$ 1,204	0.1%
Restricted cash and investments	766,383	732,982	33,400	4.6%
Accounts receivable for patient services	393,045	314,771	78,274	24.9%
Net property and equipment	1,552,941	1,497,632	55,309	3.7%
Obligated Group indebtedness	688,630	703,289	14,658	2.1%
Postretirement and pension benefits	47,724	24,392	(23,332)	-95.7%
Net assets without donor restrictions	1,726,399	1,652,640	73,760	4.5%

Selected Cash Flow Information for the	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018	Impact	
Net cash provided by operating activities	$ 87,659	$ 155,621	$ (67,962)	-43.7%
Changes in operating assets and liabilities	(57,226)	(44,071)	(13,155)	-29.8%
Capital expenditures	(187,500)	(190,087)	2,587	1.4%

Note 1: Refer to 'Significant Nonrecurring Items' on page 26 of this Annual Report for a listing of items impacting the Obligated Group's reported operating income for fiscal years ended June 30, 2019 and 2018.

Note 2: 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. See the 'Recent Transactions' on page 36 for additional details.

Financial Ratios

	AUDITED FISCAL YEAR				TARGET
	2019 Actual	2018 Actual	2017 Actual	2016 Actual	Moody's "A" Median 2018 (2)
Operating Performance:					
Adjusted Operating Margin - Excluding pension settlement expense (4)	2.2%	3.9%	3.1%	4.2%	2.2%
Operating Margin	1.3%	3.9%	3.1%	4.2%	2.2%
Excess Margin (1) (4)	3.3%	4.2%	3.7%	5.5%	5.0%
Operating Cash Flow Margin (4)	8.0%	10.1%	9.7%	10.3%	8.5%
Liquidity:					
Days Cash on Hand (4)	195.5	214.3	204.8	216.7	215.1
Days in Patient Accounts Receivable	61.9	56.8	56.4	52.9	45.9
Financial Position / Debt Capacity:					
Debt to Capitalization	28.5%	29.9%	31.3%	34.7%	32.2%
Debt to Cash Flow (1)	3.2	3.1	3.2	3.0	2.9
Cash to Debt	188.8%	184.7%	169.5%	168.3%	167.7%
Maximum Annual Debt Service Coverage (1) (3)	5.2x	5.4x	5.1x	5.6x	4.7x
Annual Debt Service Coverage (1) (3)	5.7x	6.0x	6.8x	7.6x	5.2x
Average Age of Plant in Years	12.6	11.9	11.1	12.3	11.8

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 2018 Not-for-Profit Healthcare Medians for Freestanding Hospitals, Single-State and Multi-State Healthcare Systems, September 2019.

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. See the 'Recent Transactions' on page 36 for additional details.

OVERVIEW OF RUSH

About RUSH

Rush University System for Health (RUSH) is an academic health system whose mission 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 focuses on bringing academic medicine to Chicago's western suburbs and beyond, providing patients and communities with convenient access to the nationally ranked clinical programs and research studies of Rush University Medical Center (RUMC), Rush Oak Park Hospital (ROPH), and Rush Copley Medical Center (RCMC).

A streamlined governance structure, led by the RUSH Parent Board, helps RUSH focus on its goal of providing a single level of top-ranked national quality and commitments to the diverse communities it serves. The RUSH Parent Board has certain ultimate reserved powers with respect to RUMC, ROPH, and RCMC, including without limitation, the ability to set the strategic plan and budget, approve indebtedness above certain thresholds, approve certain threshold transactions and take certain governance actions.

Effective May 15, 2019, following the retirement of Dr. Larry Goodman, Dr. Ranga Krishnan was appointed the CEO of RUSH and Dr. Omar Lateef became CEO of RUMC. Barry Finn continues in his role as President and CEO of RCMC and Bruce Elegant remains as such for ROPH. In addition to their chief executive positions at RUMC and RCMC, each of Dr. Lateef and Mr. Finn hold executive officer positions with the RUSH Parent. Susan Crown serves as Chairperson to each of the RUMC and RUSH Parent Boards, succeeding William Goodyear in those positions, effective November 14, 2018.

RUMC Obligated Group

RUMC and certain of its affiliates are Members of an Obligated Group created under the Master Indenture. The Members of the RUMC Obligated Group are:

Rush University Medical Center – RUMC owns and operates an academic medical center located in Chicago, Illinois. Major operations of RUMC include Rush University Hospital, Rush University and Rush University Medical Group. The hospital operations of RUMC are licensed by the State of Illinois to operate 713 beds, of which 636 are currently staffed and include the Johnson R. Bowman Health Center for the Elderly, a rehabilitation and psychiatric facility, and Rush 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, rehabilitation and skilled nursing hospital, of which 127 beds are currently staffed, located approximately eight miles west of RUMC in Oak Park, Illinois. RUMC is the sole corporate member of ROPH. 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, Inc. – RCMC serves as the parent holding company for the Copley Members (as defined herein). 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.

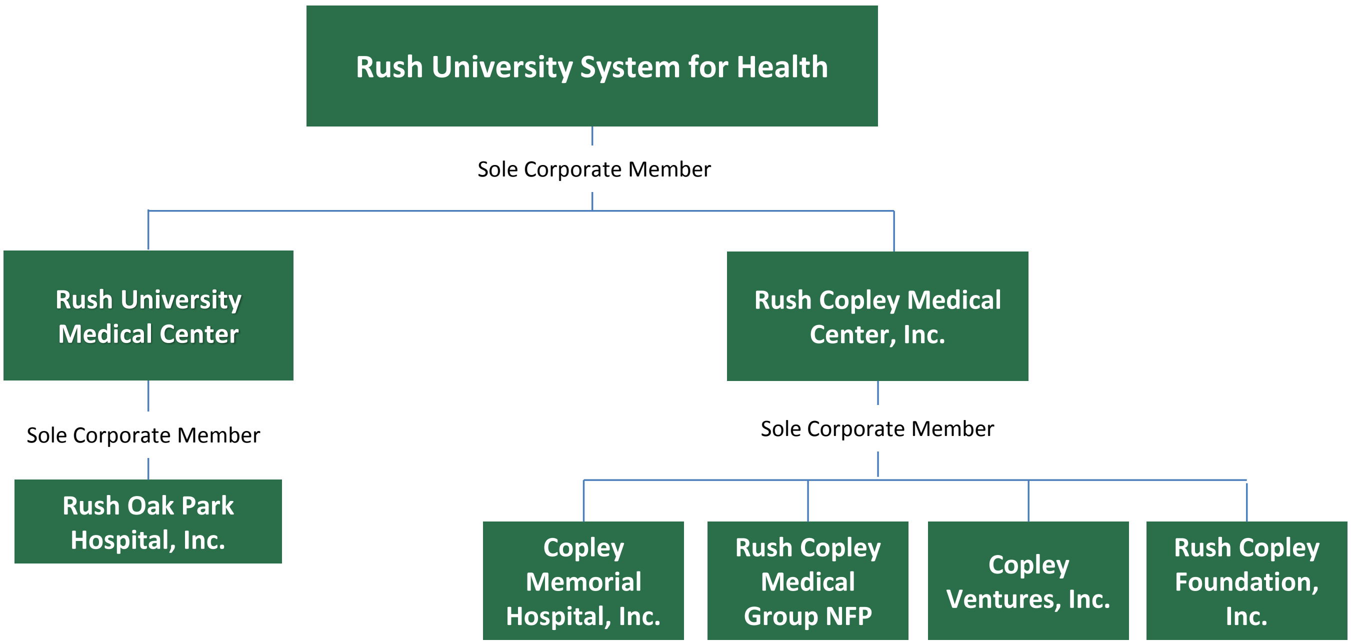
Copley Memorial Hospital, Inc. – CMH owns and operates an acute care hospital located approximately 35 miles west of RUMC in Aurora, Illinois. CMH is licensed by the State of Illinois to operate 210 beds, all of which are currently staffed. CMH is an Illinois not-for-profit corporation, which is exempt 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 – RCMG owns, operates, controls and otherwise coordinates the activities of physician practice health and medical services and provides certain physician billing and administrative services. The RCMG is an Illinois not-for-profit taxable corporation.

The following chart reflects the corporate organizational structure of RUSH:



Presentation of Financial Information

Although RUMC and the other corporations referenced above are currently the only Obligated Group Members under the Master Indenture, the Parent is not a member of the Obligated Group and also controls, directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in the consolidated financial statements. The Parent and such non-member joint ventures and investment entities are accounted for in the audited consolidated financial statements and unaudited interim consolidated financial information. Further, the information describing the financial condition of the Obligated Group 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, 2019, the Obligated Group Members constituted approximately 98.8% of total revenue of RUSH.

RUSH UNIVERSITY MEDICAL CENTER

Mission

The mission of RUMC is to improve the health of the individuals and diverse communities we serve through the integration of outstanding patient care, education, research, and community partnerships.

Changes in Management

Effective May 15, 2019, following the retirement of Dr. Larry Goodman, Dr. Omar Lateef was appointed CEO of RUMC. Prior to CEO of RUMC, Dr. Omar Lateef served as Chief Medical Officer of RUSH and RUMC, and senior vice president of medical affairs for RUMC. See page 8 of this quarterly report for the CEO transition of RUSH.

Effective March 25, 2019, Tatyana Popkova was appointed as the Chief Strategy Officer of RUSH. Prior to RUSH, Popkova served as the executive director for oncology services in the Banner Health system.

Effective February 1, 2019, Sherine E. Gabriel, MD, MSc, was named president of Rush University. Prior to this, Gabriel served as the dean of Rutgers Robert Wood Johnson Medical School and former dean of Mayo Medical School. Gabriel will be only the fourth president of the University and the first whose role will be solely focused on the University.

Service Area and Competition

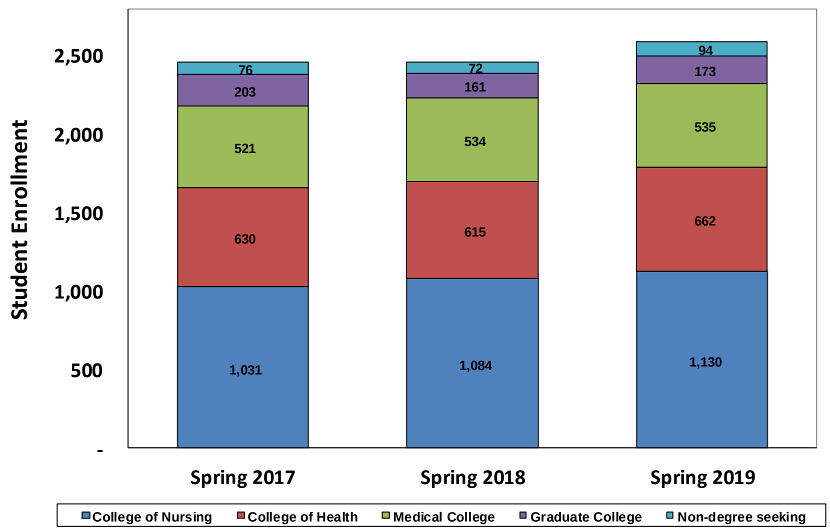
RUMC considers its service area to be the eight counties surrounding and including the City of Chicago. The eight county market area encompasses Cook, DuPage, Kane, Kankakee, Kendall, McHenry, Lake and Will counties. RUMC competes with four other academic medical centers in the Chicago metropolitan area as well as several large suburban hospitals with specialty and local strength. RUMC was the third largest hospital provider in the 8-county Chicago metropolitan area with a market share of 3.4% and 3.2% during the nine months ended March 31, 2019 and fiscal year ended June 30, 2018, respectively. In a highly fragmented market, RUMC focuses on building market share in its strategic programs: Neurosciences, Bone and Joint, Cancer Care, High Risk Infant and Mother, Transplant, and Heart and Vascular. RUMC was the market leader in Bone & Joint and second in Cancer Care and Neuroscience during the nine months ended March 31, 2019.

Rush University

Rush University currently offers more than 40 unique degree or certificate options in medicine, nursing, allied health and biomedical research. Rush University is known for its practitioner-teacher model, translational research, nurturing academic environment and focus on community and global health.

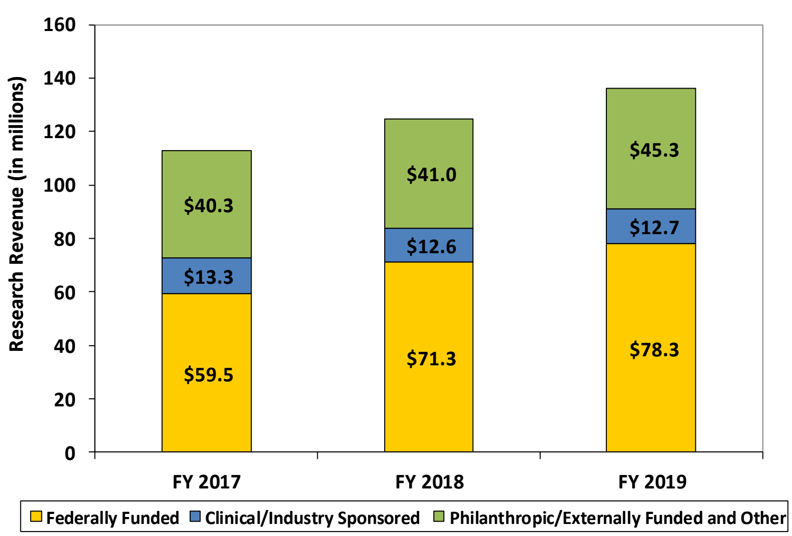
Revenue consists mainly of tuition revenue. Expenses are those instructional expenses required to educate the students. Enrollment continues to grow with 2,594 enrolled at the beginning of the spring 2019 semester. Rush University's teaching model is a teacher-practitioner model with practicing clinicians and other staff teaching students as part of the normal day to day responsibilities. Total enrollment in Rush University for the last three years is shown on the following chart:

Enrollment in Rush University



For fiscal year ended June 30, 2019 and June 30, 2018, RUMC Research reported an excess of expenses over revenue of $34.9 million and $37.5 million, respectively, which was supported from operating income. The breakdown of research revenue can be seen in the chart below for the last three fiscal years.

Total Research Revenue (in millions)



Physician Alignment

RUMC builds relationships with employed and independent physicians through various means. RUMC employs approximately one-half of its medical staff, including those in its highly-ranked neurosurgery practice.

RUMC has also implemented various joint ventures with physicians to provide core services including the following:

- Rush Surgicenter – Outpatient surgery operations at RUMC.
- Circle Imaging – Outpatient imaging operations at RUMC.
- Rush Radiosurgery – Outpatient stereotactic radiosurgery services at RUMC.
- Rush Oak Brook Surgery Center – Outpatient surgery center focused on orthopaedic services.

In addition, RUMC has key strategic relationships with Midwest Orthopedics at Rush ("MOR"), a preeminent independent physician practice that is anchored in a building on the RUMC campus that was opened in 2009 by RUMC and MOR physicians. MOR provides a broad spectrum of orthopedics and sports medicine services, and utilizes the facilities at RUMC, the on-campus Rush Surgicenter, and ROPH. In 2011, RUMC entered into a broad umbrella clinical affiliation agreement, for an initial term of 10 years, with DuPage Medical Group ("DMG"), which is a multi-specialty and primary care group with over 425 physicians based in the western suburbs of Chicago. To date, the parties have implemented an affiliated outpatient cancer treatment program with infusion therapy at a newly-developed DMG building in Lisle, Illinois.

Awards

RUMC provides care through a multidisciplinary approach that brings together a team of experts including physicians, scientists, nurses and other specialists to diagnose and treat patients in an integrated manner. This unique combination of teaching, research and patient care has earned RUMC national recognition for a number of its programs. Below is a list of certain awards which RUMC has received over the last two years:

Best Quality:

Vizient (formerly UHC) Quality Leadership Awards	In the September 2019 rankings, RUMC is ranked first among 93 leading academic medical centers in the United States in a study conducted by the health care services company Vizient. The study evaluated the medical centers and hospitals on the criteria based on the Institute of Medicine's domains of care—safety, mortality, clinical effectiveness, efficiency, and patient centeredness.
ANCC Magnet Status	In 2016, for the fourth consecutive time, RUMC has received Magnet designation, the highest national recognition given for nursing excellence. RUMC was the first hospital in Illinois treating both children and adults to achieve Magnet status.
H&H Networks Most Wired	RUMC has been named one of the 2017 "Most Wired" hospitals in the nation by Hospitals & Health Networks.
CMS Overall Hospital Quality Star Rating	In March 2019, RUMC received four stars in the CMS Overall Hospital Quality Star Rating. The rating is based on quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.
Becker's Hospital Review ACO to Know	Becker ranked RUMC among the top 110 ACOs to Know in 2017.

Baby-Friendly USA
Baby-Friendly Facility

In February 2017, RUMC received the prestigious international recognition as a Baby-Friendly designated birth facility. This designation recognizes RUMC as a medical center that provides the optimal level of care for infant feeding and mother/baby bonding. It is part of a global program sponsored by the World Health Organization and the United Nations Children's Fund.

Health-grades
Outstanding Patient Experience

In 2017, RUMC received the Healthgrades Outstanding Patient Experience Award, which recognizes hospitals that provide an overall outstanding patient experience

ComEd
Retro Commission-ing Award

In December 2017, RUMC received the ComEd Retro-commissioning Award for cutting greenhouse gases and energy use

Best Programs:

US News
World's Best Hospitals

In March 2019, RUMC was named among the world's best hospitals by U.S. News & World Report. RUMC was ranked 29 out 250 hospitals in the United States and was named one of the top 1,000 hospitals in the world.

US News
Best Hospitals

RUMC was named among the best hospitals in America in five adult specialties for 2019-2020 by U.S. News & World Report.

US News
Gold Level Center of Excellence

In 2019, RUMC once again has been designated a Gold Level Center of Excellence in Life Support for both adult and pediatric ECMO patients. The award is recognized by the U.S. News and World Report and Parents magazine as one criterion for top institutions. The latest designation extends the recognition until 2022.

US News
Best Graduate Schools

In the 2019 edition of U.S. News & World Report's "America's Best Graduate Schools" survey released in March 2019, seven programs in the Rush University College of Nursing and one program in the Rush University College of Health Sciences ranked among the top five in the country, while the College of Nursing is ranked first in the Clinical Nurse Leader and Psychiatric/Mental Health Nursing category and 8th in the master's degree category overall in the nation. The College of Nursing is also ranked 4th among 179 schools listed in the graduate nursing programs category in U.S. News & World Report's 2019 "Best Online Programs" list.

Leapfrog
Top Teaching Hospital

In the fall 2017, Rush University Medical Center has been named a Top Teaching Hospital by the Leapfrog Group. Rush is one of only 36 recipients of the Top Teaching Hospital honor nationwide, and one of only two in Illinois. Rush also is among an elite group of only 109 hospitals that Leapfrog recognized in any of its four Top Hospital categories, out of more than 1,800 eligible hospitals nationwide.

THE
Top Young Universities

Rush University is ranked 33rd on the Times Higher Education's (THE) 2017 list of the world's top 150 universities under 50 years of age, placing it #2 among all such institutions in the United States.

AARC Apex Award Recognition	RUMC's Department of Respiratory Care was named one of only four winners in the United States for the 2017 Apex Recognition Award from the American Association for Respiratory Care (AARC).

Best People:

Illinois Nurse Foundation 40 Under 40 Emerging Nurse Leader Awards	In the fall of 2018, eight nurses across RUMC, Copley and ROPH achieved recognition from the Illinois Nurse Foundation 40 Under 40 award. The celebration is to recognize exemplary dedication to the nursing profession, dedicated service within the community and the promise to grow in leadership for the advancement of nursing in Illinois.
HRCF Healthcare Equality Index	In March 2018, for the tenth consecutive year, RUMC was recognized as a "Leader in LGBT Healthcare Equality" by the Human Rights Campaign Foundation.
Nurse.org Best Hospitals in Illinois for Nurses	Nurse.org ranked RUMC #1 in its list of Best Hospitals in Illinois for Nurses in 2017. The rankings were based on more than 1500 surveys of nurses at 169 hospitals in the state.
Chicago Magazine Top Doctors	Thirty-five doctors from RUMC were named 'top doctors' in the January 2019 issue of Chicago magazine.
Chicago Magazine Top Doctors	Fifteen doctors from RUMC were named 'top cardiologists' in the June 2018 issue of Chicago magazine.

RUSH COPLEY MEDICAL CENTER

Service Area and Competition

CMH was the market leader in its 18-Zip code primary service area with a market share of 36.0% and 35.9% during the nine months ended March 31, 2019 and fiscal year ended June 30, 2018, respectively (primary service area includes the cities of Aurora, Eola, Oswego, Millbrook, Montgomery, Yorkville, Plano, Sandwich, Bristol, Newark, Somonauk, Sugar Grove and Plainfield). CMH is the market leader in its primary service area in the following strategic programs: Cancer Care, Neurosciences, Heart and Vascular, Women's Health, and Emergency Services. CMH also ranked seventh in the State of Illinois for deliveries during the nine months ended March 31, 2019.

Physician Alignment

RCMC also seeks to build relationships with employed and independent physicians through various means. A significant strategy for RCMC is the growth of its employed medical groups including RCMG and Fox Valley Cardiovascular Consultants. Additionally, RCMC has joint ventures with physicians to provide core services including the following:

- Yorkville Physical Therapy and Sports Medicine – Outpatient physical therapy.
- Riverwest Radiation Therapy Center – Outpatient radiation therapy treatments.

Awards

Below is a list of some of the awards which RCMC has received over the last two years:

Best Quality:

Leapfrog Patient Safety	In the Spring 2019 Hospital Survey, RCMC received a top grade "A" for patient safety from the Leapfrog Group for the 15th consecutive time. The medical center is it among an exclusive group of 41 (1.6 percent) hospitals receiving grades that have earned the top score every time since the scores were first released in 2012.
American College of Cardiology Platinum Performance Achievement	In spring 2019, Rush Copley has received the American College of Cardiology's NCDR Chest Pain – MI Registry Platinum Performance Achievement Award. The award recognizes the medical center's commitment and success in implementing a higher standard of care for heart attack patients and signifies that Rush Copley has reached an aggressive goal of treating these patients to standard levels of care as outlined by the American College of Cardiology/American Heart Association clinical guidelines and recommendations.
AACN Gold Beacon Award for Excellence	In the fall of 2018, RCMC received the Gold Beacon Award for Excellence on the Intermediate Care Area by the American Association of Critical-Care Nurses (AACN).
CMS Overall Hospital Quality Star Rating	In March 2019, RCMC received four stars in the CMS Overall Hospital Quality Star Rating. The rating is based on quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.

Best Programs:

American Nurse Credential-ing Center START Nurse Residency Program	In spring 2019, the ANCC recognized Rush Copley's START Nurse Residency Program for demonstrating excellence in transitioning newly licensed RNs to practice in the hospital setting. One of 96 programs to receive this recognition, Rush Copley received this award with distinction.
Commission on Cancer Outstanding Achievement Award	In February 2019, Rush Copley received the CoC Outstanding Achievement Award. Rush Copley's Cancer Care Program is an accredited program meeting the standards set by the Commission on Cancer (CoC) of the American College of Surgeons. The voluntary participation in this program demonstrates our commitment to provide quality cancer care to the community and is the highest designation a community cancer center may attain.
AACVPR Certification	RCMC earned certification of its cardiac rehabilitation program by the American Association of Cardiovascular and Pulmonary Rehabilitation (AACVPR).

American Stroke Association
Stroke Gold Plus & Stroke Honor Roll

In 2018, RCMC received the American Stroke Association's Get With The Guidelines® Stroke Gold Plus Achievement Award. The hospital was also a recipient of the American Stroke Association's Target: Stroke Honor Roll Award.

American College of Cardiology
Chest Pain Center with PCI Accreditation

In 2017, RCMC earned full accreditation as Chest Pain Center with PCI and Resuscitation from the American College of Cardiology.

ACTION Registry
Silver Performance Achievement Award

In 2017, RCMC earned the ACTION Registry Silver Performance Achievement Award based on its commitment to delivering the highest quality care to cardiovascular patients that are high-risk ST-Elevation Myocardial Infarction (STEMI)/Non-ST-Elevation Myocardial Infarction (NSTEMI).

American College of Radiology
ACR Seal of Accreditation

In 2017, RCMC's Radiation Oncology Department was awarded a three-year term of accreditation in radiation oncology by the American College of Radiology (ACR).

College of American Pathologists
Lab Accreditation

In fall 2017, Rush Copley's laboratories were re-accredited by the College of American Pathologists. Every function of the laboratory and respiratory care was inspected, as well the point of care testing on the nursing units. Approximately 3,000 standards were reviewed to satisfy regulations and assure quality results.

Best People:

IBM
Employer Engagement

RCMC is currently ranked in the 92nd percentile nationwide for employer engagement by IBM/Kenexa for health care facilities with 100 or more respondents.

RUSH OAK PARK HOSPITAL

Service Area and Competition

Local competition is strong and represented by integrated delivery system hospitals and for-profit systems. Four of the strategic programs at RUMC are currently integrated at ROPH: Cancer Care, Heart and Vascular, Neurosciences and Bone and Joint. RUMC is the sole corporate member of ROPH. ROPH was the market leader in its 6-Zip code primary service area with a market share of 24.8% and 22.6% during the nine months ended March 31, 2019 and fiscal year ended June 30, 2018, respectively (primary service area includes the cities of Oak Park, Forest Park, and River Forest). ROPH focuses on building market share in its strategic programs: Neurosciences, Heart & Vascular, Cancer Care, and Bone & Joint. ROPH was first in

Neurosciences and Heart & Vascular, third in Bone & Joint and fourth in Cancer Care in its primary service area during the nine months ended March 31, 2019.

Physician Alignment

ROPH has various relationships with employed and independent physicians. Rush Oak Park Physician Group ("ROPPG") is comprised of seven physician groups that include 51 employed physicians with locations in Oak Park, Elmwood Park and North Riverside communities with Family Practice, Pediatrics and Internal Medicine physicians as well as other specialty services.

Awards

Below is a list of certain awards which ROPH has received over the last two years:

Best Quality:

ANCC Magnet Status	In 2016, ROPH achieved Magnet designation, the highest national recognition given for nursing excellence by the American Nurses Credentialing Center.
AACN Gold Beacon Award for Excellence	ROPH received the Gold Beacon Award for Excellence on the Intensive Care Unit by the American Association of Critical-Care Nurses (AACN) in the September of 2018.
Health-grades Patient Safety Excellence	In the spring 2019, for the second consecutive year, ROPH was ranked for top honors for Patient Safety Excellence by Healthgrades.
US News Best Hospitals	In August 2018, ROPH was rated High Performing in COPD, Heart Failure Care by U.S. News.
H&H Networks Most Wired	ROPH has been named one of the 2017 "Most Wired" hospitals in the nation by Hospitals & Health Networks.
Joint Commission Gold Seal of Approval	In 2017, ROPH has again earned The Joint Commission's Gold Seal of Approval for Advanced Certification in Inpatient Diabetes Care.
CMS Overall Hospital Quality Star Rating	In March 2019, ROPH's four stars rating in the CMS Overall Hospital Quality Star Rating was re-affirmed. The rating is based on quality measures that CMS collects from hospitals and publicly reports. The ratings were developed to help consumers make decisions about where to seek medical treatment.
Leapfrog Patient Safety	In the spring 2019 Hospital Survey, ROPH received a top grade "A" for patient safety from the Leapfrog Group for the 6th consecutive time.

Health-grades Outstanding Patient Experience	In 2017, ROPH received the Healthgrades Outstanding Patient Experience Award, which recognizes hospitals that provide an overall outstanding patient experience.

Best Programs:

CMS Skilled Care	In May 2019, the Skilled Care Unit at ROPH was again recognized for its outstanding efforts with a five-star rating following a survey conducted by the Centers for Medicare and Medicaid Services (CMS). This marks the third year in a row the unit was recognized with the five-star rating.
ADA Education	ROPH's diabetes program recognized by the American Diabetes Association as meeting the National Standards for Diabetes Self-Management Education.
American Stroke Association Stroke Gold Plus & Stroke Honor Roll Elite	In June 2019, ROPH received the American Stroke Association's 2019 Get With The Guidelines® Stroke Gold Plus award. The hospital was also a recipient of the American Stroke Association's Target: Stroke Honor Roll Elite Award.
US News Best Hospitals – COPD and Heart Failure	U.S. News & World Report rated ROPH as High Performing in Chronic Obstructive Pulmonary Disease (COPD) and Heart Failure Care in its annual "Best Hospitals" issue, published August 8, 2017. The report also highlighted the hospital's four out of five-star rating in Patient Experience.
US News Best Hospitals – Skilled Care	In November 2017, Rush Oak Park Hospital again has been recognized as among the best Illinois hospitals for skilled care by U.S. News & World Report.

Best People:

NYU Improving Care	ROPH is one of 10 hospitals in Illinois to have earned New York University College of Nursing's Nurses Improving Care for Healthsystem Elders designation.
HRCF Healthcare Equality Index	In March 2018, for the fifth consecutive year, ROPH was recognized as a "Leader in LGBT Healthcare Equality" by the Human Rights Campaign Foundation.

SUMMARY OF HISTORICAL UTILIZATION AND FINANCIAL INFORMATION

Historical Utilization of Services

The following tables summarize certain consolidated historical utilization statistics for the Obligated Group for fiscal years ended June 30, 2019 and 2018:

Historical Utilization of Services

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Beds:		
Licensed	1,124	1,126
Staffed	973	1,021
Utilization Statistics:		
Admissions	51,376	49,294
Patient Days	248,795	242,424
Average length of stay	4.84	4.92
Adjusted Discharges	113,254	107,977
Occupancy:		
RUMC	77.0%	70.3%
ROPH	43.3%	44.0%
RCMC	65.1%	60.8%
Obligated Group	70.1%	65.1%
Emergency Room Visits:	176,501	181,126
Surgical Procedures:		
Inpatient	17,182	16,172
Outpatient	34,259	30,624
Total	51,441	46,796

Summary of Revenues and Expenses

The following selected financial data and additional information contained in this annual report describes the financial condition of the Obligated Group. Although RUMC and the other corporations referenced above are currently the only Obligated Group Members under the Master Indenture, RUMC controls, directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in the Obligated Group audited consolidated financial statements. Such non-member joint ventures and investment entities are accounted for in the Obligated Group audited consolidated financial statements using the equity method of accounting or are consolidated depending upon the control exercised by the applicable Obligated Group Member.

Operating Results

The operating results of the Obligated Group for fiscal years ended June 30, 2019 and 2018:

Summary of Statement of Operations

	Fiscal Year Ended June 30,	
(In thousands)	**2019**	**2018**
Patient service revenue	$ 2,315,770	$ 2,142,514
Other operating revenue	295,494	290,123
Total operating revenue	2,611,264	2,432,637
Salaries, wages and employee benefits	1,349,233	1,249,522
Supplies, utilities and other	787,850	728,022
Professional liability and other insurance	56,226	58,075
Purchased services	209,018	151,257
Depreciation and amortization	126,899	126,847
Interest	24,165	24,932
Pension settlement expense	23,235	-
Total operating expenses	2,576,626	2,338,655
Operating income	34,638	93,982
Non-operating income	45,970	32,596
Excess of revenue over expenses	$ 80,608	$ 126,578

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, and trust assets limited for use to the self-insurance program:

	Fiscal Year Ended June 30,	
(In thousands)	**2019**	**2018**
Unrestricted cash and cash equivalents	$ 118,518	$ 156,882
Unrestricted marketable securities	1,181,345	1,141,777
Total unrestricted cash and marketable securities	1,299,863	1,298,659
Total operating expenses	2,576,626	2,338,655
Depreciation and amortization	126,899	126,847
Pension settlement expense	23,235	-
Total operating expenses less depreciation and amortization	$ 2,426,492	$ 2,211,808
Days cash on hand	195.5	214.3

Capitalization

The following tables reflect the Obligated Group's historical long-term indebtedness as a percentage of total capitalization for fiscal years ended June 30, 2019 and 2018:

Historical Long-Term Capitalization

(In thousands)	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Long-term debt	$ 631,022	$ 648,027
Capital leases and other financing arrangements	43,727	55,262
Total debt	674,749	703,289
Net assets without donor restrictions	1,726,934	1,652,640
Total Capitalization	$ 2,401,683	$ 2,355,929
Capitalization Ratio	28.1%	29.9%

Sources of Revenue

The majority of revenue received by the Obligated Group 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 payer mix for fiscal years ended June 30, 2019 and 2018:

Sources of Gross Patient Service Revenue

	Fiscal Year Ended June 30, 2019	Fiscal Year Ended June 30, 2018
Medicare	31.5 %	32.4 %
Medicare Managed Care	7.2	6.9
Medicaid	4.7	5.9
Medicaid Managed Care	15.8	13.5
Blue Cross	24.2	24.2
Managed Care	13.2	13.8
Commercial & Self-Pay	3.5	3.2
Total	100.0 %	100.0 %

Debt Service Coverage

The following table sets forth the actual maximum annual debt service coverage on the Indebtedness of the Obligated Group for the fiscal years ended June 30, 2019 and 2018:

Debt Service Coverage

(In thousands)	Fiscal Year Ended June 30, 2019		Fiscal Year Ended June 30, 2018
Excess of revenues over expenses	$ 80,608		$ 126,578
Exclude certain special items:			
Change in fair value of interest rate swaps	(3,182)		4,402
Unrealized gain on trading securities	17,218		(1,975)
Net gain on sales	1,344		22,374
Pension Settlement Expense	(23,235)		-
Net Income, excluding special items	88,463		101,777
Depreciation and amortization	126,899		126,847
Interest	24,165		24,932
Income available for debt service	$ 239,527		$ 253,556
Maximum Annual Debt Service Requirement	46,500		46,625
Maximum Annual Debt Service Coverage Ratio	5.2		5.4

Recent Financial Performance – Fiscal Years Ended June 30, 2019 and 2018

Drivers of Performance – Operating Revenue – Operating revenue increased by $178.6 million or 7.3% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019. The largest contributor to operating revenue is patient service revenue in the hospitals at 74.7% of operating revenue for fiscal year ended June 30, 2019.

Revenue Sources

	Fiscal Year Ended June 30, 2019 Operating Revenue	2019 % of Total	2018 Operating Revenue	2018 % of Total
Patient Service Revenue:				
Hospitals	$ 1,951,951	74.7%	$ 1,810,412	74.4%
Physician Practice Plans	363,817	13.9%	332,098	13.7%
University Services:				
Research	136,378	5.2%	124,871	5.1%
Education (*)	78,129	3.0%	73,409	3.0%
Other Operating Activities	80,990	3.2%	91,847	3.8%
Total	$ 2,611,265	100.0%	$ 2,432,637	100.0%

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

Patient service revenue for the hospitals and physician practice plans combined increased by $173.3 million or 8.1% from fiscal year ended June 30, 2018 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% and 58.7% of the Obligated Group's gross patient service revenues for fiscal year ended June 30, 2019 and June 30, 2018, respectively. There have been modest increases in Medicare reimbursement in the last several years. Effective July 1, 2014, Medicaid reformed and updated its payment system. While the Obligated Group was among several Illinois facilities which would have seen reimbursement decreases due to this change, Medicaid committed to making transitional payments to hold hospitals harmless through June 2018. The State of Illinois and the Centers for Medicare and Medicaid Services (CMS) approved a redesign of the Hospital Assessment Program effective July 1, 2018. The current system sunset on June 30, 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, 2019 and 2018, by major source and by lines of business, was as follows:

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

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

The combined Hospital Assessment Program's impact on the Consolidated Statements of Operations during fiscal years ended June 30, 2019 and 2018 was as follows:

Illinois Hospital Assessment Program Impact

(In thousands)	Fiscal Year Ended June 30, 2019	2018
Patient service revenue	$ 105,985	$ 110,409
Supplies, utilities and other expense	63,718	54,125
Operating income	$ 42,267	$ 56,284

Physician Practice Plans – Total patient service revenue from the physician practice plans increased $31.7 million or 9.6% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019 mainly due to increased volumes.

Other Operating Revenue – Other operating revenue represented 11.4% of total operating revenue for fiscal year ended June 30, 2019 and increased $5.4 million or 1.9% from fiscal year ended June 30, 2018. Other operating revenue consists primarily of external funding for research and internal fund support to research (46%), tuition and educational grants (26%), and other non-patient care service activities (28%).

Drivers of Performance – Operating Expense – Operating expenses increased by $237.9 million or 10.2% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019. Operating costs as a percentage of operating revenue for fiscal years ended June 30, 2019 and 2018 were as follows:

Operating Costs as a Percentage of Operating Revenue

	Fiscal Year Ended June 30, 2019	2018
Salaries, wages and employee benefits	51.7%	51.4%
Supplies, utilities and other (including purchased services)	38.2%	36.1%
Depreciation and amortization	4.9%	5.2%
Professional liability and other insurance	2.2%	2.4%
Interest	0.9%	1.0%

Salaries, Wages and Employee Benefits – Salaries, wages and employee benefits increased by $99.7 million or 8.0% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019. The increase is the result of the increase in FTEs, employed physicians and the $13.1 million ERO severance payment. See the 'Recent Transactions' on page 36 for additional details related to the ERO severance payment.

The table below shows the employed FTEs and employed physicians for the Obligated Group as of June 30, 2019 and 2018:

FTE and Employed Physicians Statistics

	As of Jun 30, 2019	2018	Percent Change
Number of Full-time Equivalents	12,058	11,709	3.0%
Number of Employed Physicians	746	734	1.6%

Note: Of the 12,058, FTEs, approximately 7.1% of non-clinical employees are represented by a union.

Depreciation and Amortization – Depreciation and amortization expense increased $0.05 million or 0.04% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019.

Professional Liability and Other Insurance – Professional liability and other insurance expense decreased $1.8 million or 3.2% from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019.

Interest Expense – Interest expense was $24.2 million for fiscal year ended June 30, 2019, which is a decrease of $0.8 million or 3.1% from fiscal year ended June 30, 2018.

Significant Nonrecurring Items – During fiscal years ended June 30, 2019 and 2018 significant nonrecurring items impacted the Obligated Group's reported operating income as follows:

(In millions)	**Fiscal Year Ended June 30 2019**	**Jun-19 Operating Margin**	**Fiscal Year Ended June 30 2018**	**Jun-18 Operating Margin**
Operating income reported	**$34.6**	**1.3%**	**$94.0**	**3.9%**
Items impacting operating revenue	(16.5)	(0.6)	(24.4)	(1.0)
Items impacting operating expenses	47.2	1.8	22.0	0.9
Total adjustments	**30.7**	**1.2**	**(2.4)**	**(0.1)**
Operating income	**$65.3**	**2.5%**	**$91.5**	**3.8%**

Non-operating Income/Expense – Total non-operating income increased by $13.2 million from fiscal year ended June 30, 2018 to fiscal year ended June 30, 2019. Non-operating income consists of investment income, unrestricted contributions, loss on extinguishment of debt, and interest rate swaps. The increase is due to an increase in market returns.

Liquidity and Capital Resources – The Obligated Group's unrestricted cash and investments at market value increased by $1.2 million or 0.1% from June 30, 2018 to June 30, 2019. The days can on hand decreased from 214.3 as of June 30, 2018 to 195.5 as of June 30, 2019. The decrease is mainly attributable to increased operating expenses and increased capital expenditures. Included in unrestricted cash and investments was $142.6 million and $124.0 million of Specific Purpose Fund balances as of June 30, 2019 and June 30, 2018, respectively, and $64.6 million and $63.9 million of appreciation on the unrestricted portion of RUMC's endowment as of June 30, 2019 and June 30, 2018, respectively.

Excluded from unrestricted cash and investments is the appreciation on the restricted portion of RUMC's endowment fund of $289.2 million and $283.9 million as of June 30, 2019 and June 30, 2018, respectively. These restricted funds are used to support specific purposes such as research and education.

The Obligated Group 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 Employee insurance programs over the last several years. As of June 30, 2019, the State of Illinois receivables increased from June 30, 2018 due to volume growth and payment slowdowns. The Obligated Group will continue to closely monitor the outstanding receivables from the state and evaluate any impact of possibly future delays in collections.

Capital Expenditures

Total capital expenditures for the Obligated Group amounted to $187.5 million for fiscal year ended June 30, 2019, a $2.5 million decrease from fiscal year ended June 30, 2018. The Obligated Group's construction commitments outstanding as of June 30, 2019 and 2018 were $139.5 and $70.7 million, respectively. See page 35 - 36 for details of campus transformation.

MISCELLANEOUS

New Accounting Pronouncements

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

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

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

In February 2016, the FASB issued ASU No. 2016-02, *Leases*. The ASU requires lessees to recognize the right-of-use assets and liabilities that arise from all leases with terms greater than twelve months. The ASU also requires repayments of operating and financing leases to be classified as operating or financing activities, respectively, on the statement of cash flows. Rush adopted the ASU effective July 1, 2019 using a modified retrospective approach. On July 1, 2019, the adoption resulted in an increase of $158 million in right-of-use assets and lease liabilities for operating leases. In addition on July 1, 2019, Rush recognized an increase to net assets without donor restrictions of $34.5 million from a cumulative effect of change in accounting principle, which was related to the remaining deferred gain on sale of property from a previous sale leaseback transaction.

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

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

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 November 19, 2018, S&P affirmed the Obligated Group's A+ rating and revised the outlook to "Positive". As of December 10, 2018, Fitch upgraded the Obligated Group's rating to AA- and revised the outlook to "Stable". As of March 8, 2019, 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 Quarterly 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.

Community Benefits

RUSH has an established charity care policy and maintains records to identify and monitor the level of charity care it provides. RUMC provides free care to all patients whose family income is 300% of the federal poverty level or less, and a 75% discount is available to all patients with family income up to 400% of the federal poverty level. All uninsured patients receive a tiered discount regardless of their ability to pay. Uninsured patients within 600% of FPL receive a 68% discount. Individuals over 600% of FPL receive a 50% discount.

RCMC provides free care to all patients whose family income is less than 200% of the federal poverty level and a 30% discount to all uninsured patients regardless of ability to pay, also providing discount balances to patients under 600% of the federal poverty level. Interest-free payment plans are also provided. Charity care includes the estimated cost of unreimbursed services provided and supplies furnished under its charity care policy and the excess of cost over reimbursement for Medicaid patients. The estimated cost of charity care provided is determined using a ratio of cost to gross charges and multiplying that ratio by the gross unreimbursed charges associated with providing care to charity patients.

The table below shows the total community benefit provided during the fiscal years 2018 and 2017 by service type:

Community Benefits by Type

	Fiscal Year Ended June 30,			
(In thousands)	2018		2017	
Unreimbursed care provided to patients in the Hospitals	$ 326,302	73 %	$ 305,377	74 %
Support of education programs	56,281	13	52,017	13
Unreimbursed costs for research	33,224	7	30,391	7
Physician clinics providing primary and preventative care services to uninsured and Medicaid patients	11,971	3	7,966	2
Other	18,345	4	15,341	4
Total	$ 446,124	100 %	$ 411,092	100 %

Pension Plans

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

- ***Funded Status*** – RUMC 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, 2019, reflects a funded ratio of 97%.
- ***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 fiscal year ended June 30, 2019, RUMC contributed $34.0 million 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 healthcare plans have been curtailed.

Contingencies

As has been reported previously, RUMC is working with relevant federal agencies to resolve potential claims relating to certain admissions in RUMC's Inpatient Rehabilitation Facility ("IRF") and currently anticipates a repayment of approximately $10.8 million.

On December 22, 2017, the United States Congress passed "The Tax Cuts and Jobs Act." The tax reform bill includes certain provisions that may have an unfavorable impact on tax-exempt organizations. These provisions did not have any impact on RUSH during fiscal year 2018, and RUSH has estimated an immaterial impact for fiscal year 2019.

In addition, in the ordinary course of business, RUSH receives new lawsuits containing allegations of professional liability and/or general liability.

Investment Policies

The Obligated Group'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 Obligated Group's unrestricted cash and investments consisted of the following as of June 30, 2019 and 2018:

Asset Summary *(in millions)*	**Total Unrestricted Cash and Investments Fiscal Year Ended June 30,**			
	2019		**2018**	
Cash And Cash Equivalents	$	119	$	157
Fixed Income Securities		549		544
Public Equity		367		348
Multi-Asset		154		151
Other		111		99
Total	$	1,300	$	1,299

The objective of the RUMC self-insurance trust is to fund the self-insurance obligations of RUMC. As of June 30, 2019, the self-insurance trust assets had a market value of $156.8 million versus a market value of $135.0 million as of June 30, 2018. The following table shows the current asset allocation targets and ranges as well as the asset allocation as of June 30, 2019 and June 30, 2018 for the self-insurance trust:

Asset Class	**Target Allocation and Range**		**Percentage Trust Assets as of Jun 30, 2019**	**Jun 30, 2018**
Fixed Income	70%	(+/-5%)	71%	70%
Domestic Equity	30%	(+/-5%)	29%	23%
Cash/Money Market	--	--	0%	7%
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, 2019 and 2018, Rush held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trusteed and other investments, derivative instruments, and beneficial interests in trusts. Certain alternative investments, measured using either the cost or equity method of accounting, are excluded from the fair value disclosure provided herein.

Valuation Principles

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

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

Level 2 inputs — Quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets and liabilities in 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 Balance Sheet Date

The following tables present Rush's fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2019 and 2018:

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

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

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

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

Valuation Techniques and Inputs for Level 2 and Level 3 Instruments

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

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

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

Investments in Entities that Report Fair Value Using NAV

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

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

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

Alternative Investments – Investments within this category consist primarily of hedge fund of funds, private equity partnerships, and private debt. The hedge fund of funds consist of diversified investments including equity long/short, credit long/short, event-drive, relative value, global opportunities, and other multistrategy funds. Hedge fund of funds investments are valued based on Rush's ownership interest in the NAV of the respective fund as estimated by the general partner, which approximates fair value. Effective July 1, 2012, Rush elected to measure all new private equity partnerships entered into on or after July 1, 2012, at fair value (see Note 2). Private equity partnerships are valued based on the estimated fair values of the nonmarketable private equity partnerships in which it invests, which is an equivalent of NAV.

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

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

Endowment Investment and Spending Policies

Rush has adopted endowment investment and spending policies to preserve purchasing power over the long term and provide stable annual support to the programs supported by the endowment, including professorships, research and education, free care, student financial aid, scholarships, and fellowships. Approximately 17% of Rush's endowment is available for general purposes for the years ended June 30, 2019 and 2018.

The Investment Committee of the Board of Trustees is responsible for defining and reviewing the investment policy to determine an appropriate long-term asset allocation policy. The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long term. The current asset allocation targets and ranges as well as the asset allocation as of June 30, 2019 and 2018, are as follows:

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

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

The Finance Committee of the Board of Trustees approves the annual spending policy for program support. In establishing the annual spending policy, Rush's main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.0% for the fiscal years ended June 30, 2019 and 2018 and income from the endowment fund provided $20,126 and $19,190 of support for Rush's programs during the fiscal years ended June 30, 2019 and 2018, respectively.

Interest Rate Swap Agreements

The Obligated Group currently is party to two interest rate swap agreements (the "Swap Agreements"), which were originally entered into in connection with the issuance of the Series 2006A Bonds, which were refinanced during the fiscal year 2009.

Management has not designated the Swap Agreements as hedging instruments. Amounts recorded in the accompanying consolidated statement of operations and changes in net assets for the Swap Agreements for fiscal years ended June 30, 2019 and 2018 were as follows:

Swap Disclosures

(In Thousands)	Reported As	Fiscal Year Ended June 30, 2019	2018
Change in Fair Value of Interest Rate Swaps	Nonoperating Income (Expense)	$ (3,182)	$ 4,402
Net Cash Payments on Interest Rate Swaps	Interest Expense	$ (1,655)	$ (2,178)

The Swap Agreements also require either party to post collateral in the form of cash and certain cash equivalents to secure potential termination payments. The amount of collateral that is required to be posted is based on the relevant party's long-term credit rating. Based on its current rating, the Obligated Group is required to post collateral with the Swap Counterparties in the event that the market value of the Swap Agreements exceeds $(25.0) million or $(12.5) million for each Swap Agreement. As of June 30, 2019, the Obligated Group was not required to post any collateral with the Swap Counterparties.

Affiliations, Merger, Acquisition and Divestiture

Management of the Obligated Group 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 the Obligated Group, and from time to time Obligated Group Members may pursue changes in the use of, or disposition of, their facilities. The Members of the Obligated Group receive offers from and/or conduct 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 the Obligated Group 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, the Members of the Obligated Group may consider investments, ventures, affiliations, development and acquisition of other health care-related entities. These may include home healthcare, long-term care entities or operations, infusion providers, pharmaceutical providers, and other health care enterprises that support the overall operations of the Members of the Obligated Group. In addition, the Members of the Obligated Group 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 the Obligated Group. 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 the Members of the Obligated Group 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 the Obligated Group.

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 healthcare, empowering customers and partners by advancing technology solutions that enable the Obligated Group to achieve its mission, vision and values. During fiscal year ended June 30, 2019 and June 30, 2018, the Obligated Group has spent $151.0 and $127.4 million, respectively, on IT expenditures, which represents 5.8% and 5.2% of its operating revenue.

Campus Transformation

RUMC is in the initial stages of a strategic master facility plan, which includes new developments on campus as well as other offsite investments.

In October 2018, RUMC received approval by the Illinois Certificate of Need Board to build an eleven-story building of approximately 530,000 square feet, for the provision of outpatient services plus an attached parking deck. The new ambulatory destination center for cancer and neurological care proposed for the campus of RUMC will further the mission to improve health of the individuals and diverse communities we serve through the integration of outstanding patient care, education, research and community partnerships.

The services to be located in the building will focus on RUMC's cancer care and neurosciences programs. Among the outpatient clinical services to be provided are radiation therapy, infusion therapy, integrative medicine and imaging. The building will also serve as a primary site for clinical research and teaching programs offered through Rush University; with medical students, residents and fellows as well as nursing students, imaging and radiation therapy technology students and physicists actively engaged in the building's patient care and research activities.

Construction and the groundbreaking occurred on June 12, 2019 and the building is projected to open in fiscal year 2022. The estimated CON cost is approximately $473 million. RUMC will continue to assess the sizing and pricing of the building into next fiscal year.

In October 2018, RUMC opened an outpatient health center within a new 15-story mixed used residential development in Chicago's South Loop neighborhood. The outpatient center includes primary care, obstetrics and gynecology, pediatrics, allergy, audiology, bariatric surgery, cancer surgery, cardiology, colorectal surgery, dermatology, endocrinology, otolaryngology, integrative behavioral medicine, neurology, pain management, plastic surgery, pulmonology, rheumatology, and urology.

In January 2019, a joint venture between RUMC and Midwest Orthopaedics at Rush opened a state-of-the-art three-story medical professional building in Oak Brook. The medical building is comprised of three primary tenants: a multi-specialty ambulatory surgical treatment center, offices for Midwest Orthopaedics at Rush, and offices for other faculty physicians of RUMC. The outpatient center includes RUMC primary care physicians and specialists in allergy, breast surgery, colorectal surgery, dermatology, gastroenterology, hepatology, neurosurgery, neurology, orthopedics, otolaryngology, plastic surgery, rheumatology, surgical oncology, transplant, and vascular surgery. The building also houses a laboratory and a full slate of comprehensive imaging services such as MRI, CT, general x-ray, mammography, ultrasound, and bone densitometry.

In October 2016, ROPH filed a certificate of need application to build a new emergency department which was approved in January 2017. The new emergency department will increase the square footage from the current emergency department and is projected to open in fall 2019.

Recent Transactions

In fiscal year 2019, RUMC and ROPH offered an early retirement opportunity to a population of employees meeting certain eligibility requirements (at least 10 years of service and over the age of 60 as of December 31, 2018). Participants who elected to take this opportunity received an enhanced retirement benefit package along with a one-time cash payment. The one-time cash payment was for severance with each participant receiving $1,000 per year of service, resulting in total payments of $13.1 million. This one-time cash payment is included within salaries and wages expense in the accompanying consolidated statement of operations and changes in net assets.
This opportunity also resulted in two other one-time accounting charges related to the defined benefit pension plan:

- A special termination benefit, which represents the enhanced pension benefit offered to participants. This benefit is equal to the amount added to participants' cash balance accounts as of December 31, 2018.
- A settlement charge triggered by fiscal year 2019 lump sum payments exceeding the threshold for the year, which equals service cost plus interest cost.

These two non-cash accounting charges total approximately $23.2 million and is included as a reduction to operating income in the accompanying consolidated statement of operations and changes in net assets.

The initiative will allow RUMC and ROPH to achieve payroll savings in fiscal year 2019 as well as future years.

Subsequent Events

RUSH has evaluated events occurring subsequent to the balance sheet date through October 16, 2019, the date this annual report was issued. There were no material subsequent events during this time period. There were no significant subsequent events through this date, with the exception of the adoption of ASU 2016-02, *Leases* and ASU 2017-07, *Compensation – Retirement Benefits,* and the issuance of long-term debt and subsequent payoff of the outstanding line of credit.

CONSOLIDATED FINANCIAL STATEMENTS

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidated Balance Sheets

(Dollars in thousands)

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

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidated Statements of Operations and Changes in Net Assets

(Dollars in thousands)

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

(Continued)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidated Statements of Operations and Changes in Net Assets

(Dollars in thousands)

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

(Concluded)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidated Statements of Cash Flows

(Dollars in thousands)

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

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:		
Cash paid for interest	$ 26,906	$ 24,659
Noncash additions to property and equipment	$ 21,228	$ 30,027

APPENDICES

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Balance Sheet Information

As of June 30, 2019

(Dollars in thousands)

	RUMC	RCMC	Obligated Group Consolidated	Rush System for Health Parent	Parent Eliminations	Rush University System for Health Consolidated
ASSETS						
CURRENT ASSETS:						
Cash and cash equivalents	$ 100,523	$ 17,995	$ 118,518	$ 421	$ -	$ 118,939
Accounts receivable for patient services	341,181	51,864	393,045	-	-	393,045
Other accounts receivable	76,525	-	74,101	3,984	-	78,085
Self-insurance trust — current portion	30,629	-	30,629	-	-	30,629
Other current assets	70,278	14,251	84,529	14	-	84,543
Total current assets	619,136	84,110	700,822	4,419	-	705,241
ASSETS LIMITED AS TO USE AND INVESTMENTS:						
Investments — less current portion	888,920	292,425	1,181,345	-	-	1,181,345
Limited as to use by donor or time restriction	596,925	12,678	609,603	-	-	609,603
Self-insurance trust - less current portion	126,150	-	126,150	-	-	126,150
Total assets limited as to use and investments	1,611,995	305,103	1,917,098	-	-	1,917,098
PROPERTY AND EQUIPMENT - net of accumulated depreciation of $1,318,970 for RUMC and $283,205 for RCMC	1,311,522	241,419	1,552,941	-	-	1,552,941
OTHER ASSETS	44,696	29,128	67,252	-	-	67,252
TOTAL	$ 3,587,349	$ 659,760	$ 4,238,113	$ 4,419	$ -	$ 4,242,532
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES:						
Accounts payable	$ 36,299	$ 35,817	$ 69,692	$ 4,336	$ (51)	$ 73,977
Accrued expenses	304,295	24,490	328,785	-	-	328,785
Estimated third-party settlements payable	150,643	36,633	187,276	-	-	187,276
Current portion of accrued liability under self-insurance programs	39,329	3,145	42,474	-	-	42,474
Current portion of long-term debt	11,625	2,645	14,270	-	-	14,270
Total current liabilities	542,191	102,730	642,497	4,336	(51)	646,782
LONG-TERM LIABILITIES:						
Accrued liability under self-insurance programs— less current portion	192,410	13,361	205,771	-	-	205,771
Postretirement and pension benefits	47,724	-	47,724	-	-	47,724
Long-term debt— less current portion	484,836	95,416	580,252	-	-	580,252
Line of credit	-	36,500	36,500	-	-	36,500
Obligations under capital lease and deferred financing arrangements	41,770	-	41,770	-	-	41,770
Other long-term liabilities	109,934	15,626	118,988	-	-	118,988
Total long-term liabilities	876,674	160,903	1,031,005	-	-	1,031,005
Total liabilities	1,418,865	263,633	1,673,502	4,336	(51)	1,677,787
NET ASSETS:						
Without donor restrictions	1,343,263	383,671	1,726,934	83	51	1,727,068
With donor restrictions	825,221	12,456	837,677	-	-	837,677
Total net assets	2,168,484	396,127	2,564,611	83	51	2,564,745
TOTAL	$ 3,587,349	$ 659,760	$ 4,238,113	$ 4,419	$ -	$ 4,242,532

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Statement of Operations and Changes in Net Assets Information

For Fiscal Year Ended June 30, 2019

(Dollars in thousands)

	RUMC	RCMC	Obligated Group Consolidated	Rush System for Health Parent	Parent Eliminations	Rush University System for Health Consolidated
REVENUE:						
Patient service revenue	1,929,249	386,521	2,315,770	-	-	2,315,770
Tuition and educational programs revenue	78,129	-	78,129	-	-	78,129
Research revenue and net assets released from restriction and used for research and other operations	135,302	-	135,302	-	-	135,302
Other revenue	74,174	7,889	82,063	2,221	(2,221)	82,063
Total revenue	2,216,854	394,410	2,611,264	2,221	(2,221)	2,611,264
EXPENSES:						
Salaries, wages and employee benefits	1,130,408	218,825	1,349,233	243	(243)	1,349,233
Supplies, utilities and other	682,713	105,137	787,850	29	(29)	787,850
Insurance	51,228	4,998	56,226	2	(2)	56,226
Purchased services	168,974	40,044	209,018	1,947	(1,947)	209,018
Depreciation and amortization	102,724	24,175	126,899	-	-	126,899
Interest	19,009	5,156	24,165	-	-	24,165
Pension settlement expense	23,235	-	23,235	-	-	23,235
Total expenses	2,178,291	398,335	2,576,626	2,221	(2,221)	2,576,626
OPERATING INCOME	38,563	(3,925)	34,638	-	-	34,638
NON-OPERATING INCOME (EXPENSE)						
Investment income and other	37,985	19,428	57,413	-	-	57,413
Contributions without donor restriction	2,608	69	2,677	-	-	2,677
Fundraising expenses	(10,248)	(690)	(10,938)			(10,938)
Change in fair value of interest rate swaps	(928)	(2,254)	(3,182)	-	-	(3,182)
Total non-operating income	29,417	16,553	45,970	-	-	45,970
EXCESS OF REVENUE OVER EXPENSES	$ 67,980	$ 12,628	$ 80,608	$ -	$ -	$ 80,608
SUPPLEMENTAL DISCLOSURES OF OPERATING INFORMATION:						
Adjusted Operating Margin - Excluding Pension Settlement Expense	2.8%	-1.0%	2.2%			
Operating Margin	1.7%	-1.0%	1.3%			
Operating Cash Flow Margin - Excluding Pension Settlement Expense	8.3%	6.4%	8.0%			

(Continued)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Statement of Operations and Changes in Net Assets Information

For Fiscal Year Ended June 30, 2019

(Dollars in thousands)

	RUMC	RCMC	Obligated Group Consolidated	Rush System for Health Parent	Parent Eliminations	Rush University System for Health Consolidated
NET ASSETS WITHOUT DONOR RESTRICTIONS						
Excess of revenue over expenses	$ 67,980	$ 12,628	$ 80,608	$ -	$ -	$ 80,608
Net assets released from restrictions used for the purchase of property and equipment	16,804	-	16,804	-	-	16,804
Postretirement related changes other than net periodic	(22,270)	-	(22,270)	-	-	(22,270)
Other	(1,385)	3	(1,382)	-	-	(1,382)
INCREASE NET ASSETS WITHOUT DONOR RESTRICTIONS	61,129	12,631	73,760	-	-	73,760
NET ASSETS WITH DONOR RESTRICTIONS						
Pledges, contributions and grants	93,985	1,882	95,867	-	-	95,867
Net assets released from restrictions	(60,632)	(867)	(61,499)	-	-	(61,499)
Net realized and unrealized gains on investments	26,308	-	26,308			26,308
INCREASE IN NET ASSETS WITH DONOR RESTRICTIONS	59,661	1,015	60,676	-	-	60,676
INCREASE IN NET ASSETS	120,790	13,646	134,436	-	-	134,436
NET ASSETS—Beginning of year	2,047,694	382,481	2,430,175	83	51	2,430,309
NET ASSETS—End of year	$ 2,168,484	$ 396,127	$ 2,564,611	$ 83	$ 51	$ 2,564,746

(Concluded)

Financial Results Compared to Budget for the Fiscal Year Ended June 30, 2019

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 interim financial statements, and the information for the fiscal year ended June 30, 2019 is presented below.

Summary of Statement of Operations

	Fiscal Year Ended June 30, 2019	
(In thousands)	Actual	Budget
Patient service revenue	$ 2,315,770	$ 2,265,887
Other operating revenue	295,494	280,213
Total operating revenue	2,611,264	2,546,100
Salaries, wages and employee benefits	1,349,233	1,287,913
Supplies, utilities and other	787,850	741,159
Professional liability and other insurance	56,226	64,346
Purchased services	209,018	189,735
Depreciation and amortization	126,899	139,614
Interest	24,165	24,818
Pension settlement expense	23,235	30,000
Total operating expenses	2,576,626	2,477,585
Operating income	34,638	68,515
Non-operating income	45,970	36,790
Excess of revenue over expenses	$ 80,608	$ 105,305

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]			$	88,463
Add: Depreciation expense				126,899
Add: Interest expense				24,165
Revenues available for debt service			$	239,527
Maximum annual debt service			$	46,500
Revenues available for debt service	$	239,527		5.15
Maximum annual debt service	$	46,500		
Ratio exceeds 1.20	(please check)			X

II. DAYS CASH ON HAND:

Unrestricted cash and cash equivalents			$	118,518
Add: Unrestricted marketable securities				1,181,345
Unrestricted cash and marketable securities			$	1,299,863
Number of days in period				365
Unrestricted cash and marketable securities x 365			$	474,449,995
Total operating expenses (2)				2,553,391
Less: Depreciation expense				(126,899)
Total operating expenses - depreciation expense			$	2,426,492
Unrestricted cash and marketable securities x 365	$	474,449,995		195.5
Total operating expenses - depreciation expense	$	2,426,492		
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, unrealized gains and losses on unrestricted investments, and pension settlement expense. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.

[2] Total operating expenses excluded the pension settlement expense.

Covenant Compliance Certificate - Continued

(Dollars in Thousands)

III. HISTORICAL DEBT SERVICE COVERAGE RATIO:

Net income, excluding net gains and losses on sales [1]			$	88,463
Add: Depreciation expense				126,899
Add: Interest expense				24,165
Revenues available for debt service			$	239,527
Payments of debt			$	17,493
Add: Interest expense				24,165
Annual debt service			$	41,658
Revenues available for debt service	$	239,527		5.75
Annual debt service	$	41,658		
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, unrealized gains and losses on unrestricted investments, and pension settlement expense. Revenues available for debt service also excludes net gains and losses on sales, a component of nonoperating income.

Board Leadership

The following is a listing of the present Voting Trustees of Rush University Medical Center. Members of the Executive Committee (1), Audit Committee (2) Finance Committee (3) and Rush System for Health Board (4) are further identified.

Name	Professional Affiliation	Years of Service
Susan Crown (1, 4) *Chairman, RUMC and RUSH Boards*	Chairman and CEO, Owl Creek Partners LLP	33
Peter C. B. Bynoe (1, 4) *Vice Chair*	Managing Director, Equity Group Investments	26
James W. DeYoung (1) *Vice Chair*	Managing Member, D-W Investments, LLC	42
Christine A. Edwards (1, 2, 4) *Vice Chair*	Chair, Bank Regulatory Group, Winston & Strawn	18
William M. Goodyear (1, 4) *Vice Chair*	Retired Executive Chairman, Navigant Consulting	24
Stephen N. Potter (1, 3) *Vice Chair*	Retired Vice Chair, Northern Trust Corporation	10
Kapila K. Anand (3)	Consultant and Retired Partner, KPMG, LLP	2
Debra Beck	Past President, RUMC Woman's Board	2
James A. Bell	Retired Corporate President and CFO, The Boeing Corporation	7
Matthew F. Bergmann	Partner, Winston & Strawn, LLP	0
Matthew Boler	President and CEO, The Boler Company	5
John L. Brennan	President/Co-Owner, County Line Properties	11
Frederick M. Brown Jr., DNP, RN, NE-BC, CENP	President, Rush-Presbyterian-St. Luke's Nurses Alumni Association	0
Karen B. Case	President of U.S. Commercial Real Estate, CIBC	5
Adela Cepeda	Managing Director, PFM Financial Advisors, LLC	0

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
Alison Chung	Founder and President, Teamwerks	2
Karen Jaffee Cofsky	Vice President, Compensation & Benefits, Oil-Dri Corporation of America	1
Ann W. Cohn, EdD	Tenured Assistant Professor, National-Louis University	0
Christopher L. Coogan, MD	President, Alumni Association of Rush Medical College	1
E. David Coolidge III (1, 3)	Vice Chairman, William Blair & Company, LLC	33
Kelly McNamara Corley (2)	Retired Executive Vice President and General Counsel, Discover Financial Services	4
Bruce W. Dienst (1, 4)	Chairman, Rush Copley Medical Center; President and CEO, Simpson Technologies Corporation	6
William A. Downe (4)	Former Chief Executive Officer, BMO Financial Group	9
Francesca Maher Edwardson	Retired CEO, American Red Cross of Chicago and Northern Illinois	7
Peter M. Ellis	Equity Partner, Reed Smith LLP	2
Charles L. Evans, PhD	President and CEO, Federal Reserve Bank of Chicago	9
Larry Field (3)	Chief Executive Officer, Field Holdings, Inc.	24
Robert F. Finke (1, 2, 3)	Senior Counsel, Mayer Brown LLP	19
William J. Friend	Managing Partner and Founder, Core Capital Management, LLC	21
H. John Gilbertson	Retired Managing Director, Goldman Sachs & Co.	8
Sandra P. Guthman (1, 4)	Chairman, Polk Bros. Foundation	12
David C. Habiger	President and CEO, J.D. Power	2
William J. Hagenah (1)	Retired Senior Vice President, Bank One Corporation	15
Christie Hefner	Chairman of the Board, Hatch Beauty	26

Board Leadership – Continued

Board Member	**Professional Affiliation**	**Years of Service**
Marcie B. Hemmelstein	President, Carolyn Foundation	16
Jay L. Henderson (1, 3, 4)	Retired Vice Chairman, Client Service, PricewaterhouseCoopers LLP	16
Marvin J. Herb	Chairman, Herbco LLC	23
John W. Higgins	Chairman and CEO, Higgins Development Partners, LLC	16
John L. Howard	Senior Vice President and General Counsel, W.W. Grainger, Inc.	5
Ron Huberman	CEO, Benchmark Analytics	11
William T. Huffman Jr.	President, Nuveen Asset Management, LLC	0
Justin R. Ishbia	President, Rush Associates Board; Managing Partner, Shore Capital Partners,	0
Anthony D. Ivankovich, MD	Past President, RUMC Medical Staff; Chairman Emeritus, Rush University Medical Center Department of Anesthesiology	14
Kip Kirkpatrick	Co-Chief Executive Officer, The Vistria Group	11
Anthony M. Kotin, MD	Past President, Alumni Association of Rush Medical College; Principal/Owner, TK Consulting, LLC	5
Thomas E. Lanctot	Retired Partner, William Blair & Company LLC	2
Omar B. Lateef, DO (1)	Chief Executive Officer, Rush University Medical Center	0
Sheldon Lavin (3)	Chairman and CEO, OSI Group, LLC	11
The Right Reverend Jeffrey	Bishop of Chicago, Episcoopal Diocese of Chicago	10
Kenneth H. Leet	Managing Director, Granite Ridge Properties	0
Susan R. Lichtenstein	Retired SVP, Corporate Affairs and Chief Legal Officer, Hill-Rom Holdings, Inc.	8
Pamela Forbes Lieberman (2)	Director, A.M. Castle & Co.	6
Todd W. Lillibridge (3)	President and CEO, TWL Enterprises, LLC	3
Paul E. Martin (2)	Senior Vice President and CIO, Baxter International Inc.	3

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
Gary E. McCullough (1)	CEO, GEM Advisory Services	8
Mark C. Metzger (4)	Immediate Past Chairman, Rush-Copley Medical Center; Founder and Principal, Law Offices of Mark C. Metzger	7
Andrew J. Mills	President, Medline Industries, Inc.	0
Wayne L. Moore (1, 2)	Retired Managing Director, Goldman Sachs & Co.	12
William A. Mynatt Jr. (1)	Chairman, President and CEO, Dovenmuehle	4
Martin H. Nesbitt	Co-CEO, The Vistria Group	6
Cindy Nicolaides (1)	President, RUMC Woman's Board	0
Michael J. O'Connor JD (3)	Co-President, AON PLC	9
William H. Osborne (2)	Vice President, Total Quality Enterprise Performance, The Boeing Company	9
Aurie A. Pennick	Retired Executive Director and Treasurer, Field Foundation of Illinois, Inc.	12
Sheila A. Penrose (1)	Chairman, Jones Lang LaSalle	11
Perry R. Pero (2)	Retired Vice Chairman, Northern Trust Corporation and Northern Trust Company	18
Jose Luis Prado	Chairman and CEO, Evans Food Group, Ltd.	1
Stephen R. Quazzo	CEO, Pearlmark Real Estate	2
Eric A. Reeves	Managing Director and Chief Administrative Officer, Duchossois Capital Management LLC	7
Karen Reid	Past President, RUMC Woman's Board	22
John W. Rogers Jr. (1, 4)	Chairman and CEO, Ariel Investments, LLC	29
Joan Rubschlager	Trustee, The Paul A. and Joan S. Rubschlager Foundation	1
John J. Sabl	Partner, Sidley Austin LLP	11
John F. Sandner	Retired Chairman, Chicago Mercantile Exchange	27

Board Leadership – Continued

Board Member	Professional Affiliation	Years of Service
E. Scott Santi (1)	Chairman and CEO, Illinois Tool Works Inc.	5
Gloria Santona, Esq. (2)	Of Counsel, Baker & McKenzie LLP	15
Carole Browe Segal (1, 4)	President, Segal Family Foundation	27
Alejandro P. Silva (3)	Retired Chairman and CEO, Evans Food Group, Ltd	10
David H.B. Smith Jr. (3)	Executive Vice President and General Counsel, Mutual Fund Directors Forum	2
Jennifer W. Steans	President and CEO, Financial Investments Corp.	4
Joan Elizabeth Steel	Founder and Managing Partner, Alpha Wealth Advisors LLC	5
Carl W. Stern	Chairman, Carl W. Stern Associates LLC	19
Carole W. Streicher	Immediate Past President, Rush Associates Board; Partner, Healthcare Deal Advisory, KPMG LLP	3
Charles A. Tribbett III	Co-Head Board & CEO Advisory Group, Russell Reynolds Associates	10
Kenneth J. Tuman, MD	Immediate Past President, RUMC Medical Staff; Professor and Chairman, RUMC Department of Anesthesiology	2
Edward J. Ward, MD (1)	President, RUMC Medical Staff; Assistant Professor, RUMC Department of Emergency Medicine	0
Marilyn K. Wideman, DNP, RN, FAAN	Immediate Past President, RPSL Nurses Alumni Association; Dean and Vice President, School of Nursing, Purdue University Global	2
Thomas J. Wilson	Chairman and CEO, The Allstate Insurance Corporation	19
Robert A. Wislow	Co-Founder, Parkside Realty, Inc	30
Barbara Jil Wu, PhD	Retired Faculty, Northwestern University	13

The following is a listing of the present members of the Copley Board of Directors. Members of the Executive Committee (1), Finance Committee (2) and Audit & Corporate Integrity Committee (3) are further identified.

Board Member	Professional Affiliation	Years of Service
Bruce Dienst (1) *Chairman*	President & COO – Simpson Technologies Corp.	18
William Skoglund (1) *Vice Chairman*	Retired executive – Old Second Bancorp, CEO	17
Trish Anen	Principal – Sullivan Cotter	8
James Baka (2)	President, Calamos Wealth Management	6
Cati Cederoth (1, 3)	Director – Huron Consulting Group	8
Patrick Carmody	President – Innovative Modular Solutions	2
Richard Edelman (1)	President – PMR, Inc.	20
Barry C. Finn (1)	President & CEO – Rush Copley Medical Center	17
Ronald Hem (1)	Partner – Alschuler, Simantz & Hem	18
Garrett Katula, D.O.	Chief of Staff – Family Practice Physician	2
Stephen Kelanic, M.D.	Immediate Past Chief of Staff - Otolaryngologist	5
Herbert Knight (2)	Retired executive – Tenneco, Inc./ Rush representative	27
Maryanne Locklin	Associate Professor – Aurora University	13
Dave Mead (2)	Retired executive – Bufka & Rodgers	8
Mark Metzger (1)	Attorney & Mediator – Law Offices of Mark C. Metzger	18
Avery Miller	Retired Senior Vice President, Rush University Medical Center	13
Michael Nuyles, D.O.	Vice Chief of Staff – Cardiologist	1
Luis Perez (3)	National Channel Manager, New Business – Ace Hardware	2
Christine Sobek (1)	President – Waubonsee Community College	17
Andrew VanEekeren (2)	Chief Financial Officer, Vanee Foods	6