



Rush University System for Health

**Annual Report
For the Fiscal Year Ended June 30, 2023
Audited**

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

TABLE OF CONTENTS

| | |
|--|----|
| CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION IN THIS ANNUAL REPORT | 1 |
| VOLUNTARY INFORMATION REGARDING THE IMPACT OF COVID-19 ON OPERATIONS AND FINANCIAL CONDITION | 1 |
| PURPOSE OF THE ANNUAL REPORT | 1 |
| OFFICER’S CERTIFICATE..... | 3 |
| OBLIGATED PERSONS | 4 |
| Selected Financial Results and Other Information | 5 |
| Financial Ratios – Obligated Group | 6 |
| INTRODUCTION | 7 |
| RUSH | 7 |
| The Obligated Group..... | 7 |
| Organizational Chart | 8 |
| Vision, Mission and Imperatives..... | 9 |
| Presentation of Financial Information | 9 |
| Obligated Group Members..... | 9 |
| Non-Obligated Group Members..... | 10 |
| RUSH Service Area | 10 |
| Governance | 10 |
| Medical Staff | 10 |
| Recognition | 10 |
| THE HOSPITALS AND UNIVERSITY | 12 |
| Rush University Medical Center | 12 |
| History and Background..... | 12 |
| Location..... | 12 |
| Service Area and Competition..... | 12 |
| Rush University..... | 12 |
| Rush Copley Medical Center | 13 |
| History and Background..... | 13 |
| Location..... | 13 |
| Service Area and Competition..... | 13 |
| Rush Oak Park Hospital | 14 |
| History and Background..... | 14 |
| Location..... | 14 |
| Service Area and Competition..... | 14 |
| SUMMARY OF HISTORICAL UTILIZATION AND FINANCIAL INFORMATION | 15 |
| Historical Utilization of Services | 15 |
| Summary of Revenues and Expenses..... | 15 |
| Operating Results | 16 |
| Liquidity | 16 |
| Capitalization | 17 |

TABLE OF CONTENTS
(continued)

| | |
|--|-----------|
| Sources of Revenue | 17 |
| Debt Service Coverage..... | 18 |
| Recent Financial Performance – Fiscal Years Ended June 30, 2023 and 2022 | 18 |
| Capital Expenditures | 22 |
| MISCELLANEOUS | 22 |
| New Accounting Pronouncements | 22 |
| Ratings..... | 22 |
| Licenses, Accreditations and Memberships | 23 |
| Community Benefits | 23 |
| Pension Plans..... | 23 |
| Investment Policies | 24 |
| Interest Rate Swap Agreements..... | 24 |
| Affiliations, Merger, Acquisition and Divestiture | 28 |
| Information Technology..... | 28 |
| Recent Transactions and Other Matters..... | 29 |
| Subsequent Events..... | 30 |
| CONSOLIDATED FINANCIAL STATEMENTS | 31 |
| Consolidated Balance Sheet | 32 |
| Consolidated Statements of Operations and Changes in Net Assets | 33 |
| Consolidated Statements of Operations and Changes in Net Assets | 34 |
| Consolidated Statements of Cash Flows | 35 |
| APPENDICES | 36 |
| Consolidating Balance Sheet Information..... | 37 |
| Consolidating Statement of Operations..... | 38 |
| Consolidating Statement of Changes in Net Assets Information..... | 39 |
| Financial Results Compared to Budget for Fiscal Year Ended June 30, 2023 | 40 |
| Covenant Compliance Certificate..... | 41 |

CAUTIONARY STATEMENTS REGARDING FORWARD-LOOKING INFORMATION IN THIS ANNUAL REPORT

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

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

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

In March 2020, the World Health Organization (WHO) declared the global novel coronavirus disease 2019 (COVID-19) outbreak a pandemic. RUSH has experienced surges of COVID-19 patients in its hospitals throughout the pandemic. COVID-19 had materially impacted the hospitals and operations that comprise the system for which RUSH serves, and has impacted the business and financial condition of the RUSH Obligated Group. In May 2023, the WHO declared an end to the global Public Health emergency.

Throughout the pandemic, RUSH has been provided some relief based on payments made to hospitals as a result of the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, the American Rescue Plan Act (“ARPA”), Illinois General Assembly Public Act 102-115 Hospital Pandemic Recovery Stabilization Payment (“Stabilization”) and Federal Emergency Management Agency (“FEMA”) funds. These various payments of \$21.7 and \$84.5 million were recorded as other revenue in the consolidated statements of operations and changes in net assets during the years ended June 30, 2023 and 2022, respectively.

Additionally, in fiscal year 2020, RUSH also received advanced payments from Medicare of \$231.7 million which were recorded within estimated third-party settlements and advances payable in the consolidated balance sheets. During fiscal year 2021, RUSH paid back \$39.2 million of advanced payments from Medicare and \$192.5 million remained outstanding as of June 30, 2021. Throughout fiscal year 2022, RUSH has paid back an additional \$158.6 million of advanced payments from Medicare. As of October 2022, RUSH paid off the remaining advanced payments from Medicare.

PURPOSE OF THE ANNUAL REPORT

The purpose of this Annual Report is to present certain financial and operating information for the RUSH Obligated Group as defined below, for the fiscal years ended June 30, 2023 and 2022 and management’s discussion and analysis of the RUSH Obligated Group’s financial condition and results of operations for the fiscal year ended June 30, 2023. This report also provides insights on the quality of earnings reported, significant balance sheet assumptions used and any changes in assumptions used, risks to the balance sheet and statement of operations, and the impact of anticipated future events.

Effective March 1, 2017, Rush University Medical Center (“RUMC”) and Rush Copley Medical Center (“RCMC”) reorganized their operations under a common corporate parent, Rush System for Health, d/b/a Rush University System for Health (the “System Parent”). The System Parent, together with its various wholly-owned or ultimately controlled subsidiaries, collectively comprise the integrated academic health system referred to herein as “RUSH”. RUSH is led by a 13-member board of trustees (the “System Parent Board”), responsible for overseeing the vision and strategy of RUSH. The System Parent, RUMC, RCMC,

Rush Oak Park Hospital, Inc. (“ROPH”) and Copley Memorial Hospital, Inc. (“CMH”), Rush Copley Foundation, Inc. (“Copley Foundation”), Copley Ventures, Inc. and Rush Copley Medical Group NFP (“RCMG”) comprise the “RUSH Obligated Group” (or the “Obligated Group”) pursuant to the Master Trust Indenture, dated as of November 1, 2022 as amended and as entered into by each member of the RUSH Obligated Group (“the Master Trust Indenture”).

The financial and operating data in this Annual Report continues to be presented on a consolidated basis for this report. Consolidating schedules for RUSH are included on pages 32 - 35 of this report. For the fiscal year ended June 30, 2023, the Obligated Group members constituted approximately 99.2% of the total revenue of RUSH. See "INTRODUCTION OF RUSH - PRESENTATION OF FINANCIAL INFORMATION" below for additional information.

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

OFFICER’S CERTIFICATE

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

- 1. **Definitions.** Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Master Continuing Disclosure Agreement.
- 2. **Annual Report.** Accompanying this Annual Report Certificate is the Annual Report for fiscal year ended June 30, 2023.
- 3. **Compliance with Master Continuing Disclosure Agreement.** The Annual Report is being delivered to the Dissemination Agent herewith not later than the one-hundred twentieth (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 27th day of October 2023.

RUSH UNIVERSITY MEDICAL CENTER
As Group Representative

Patricia S. O'Neil

By: _____

Patricia S. O’Neil

Its: Senior Vice President and Chief Financial Officer

Acknowledgment of Receipt:

Digital Assurance Certification (DAC)
As Dissemination Agent

By:
Shana Blanchard
Its: Client Service Manager, Deputy Director

OBLIGATED PERSONS

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

Selected Financial Results and Other Information

The selected financial data for the fiscal years ended June 30, 2023 and 2022 are derived from audited consolidated financial statements of the Obligated Group. The audited consolidated financial statements include all adjustments, including normal recurring accruals, which the Obligated Group considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of the annual Obligated Group results:

(Dollars in thousands)

| Financial Results for the Obligated Group (with Stimulus) | Fiscal Year Ended Jun 30, 2023 | Fiscal Year Ended Jun 30, 2022 | Impact | |
|--|---|---|---------------|--------|
| Total operating revenue | \$ 3,353,832 | \$ 3,166,887 | \$ 186,945 | 5.9% |
| Total operating expenses | 3,318,274 | 3,056,389 | (261,885) | -8.6% |
| Operating income (1) | 35,558 | 110,498 | (74,939) | 67.8% |
| Non-operating income (expense) | 86,118 | (137,205) | 223,323 | 162.8% |
| Excess of revenue (loss) over expenses | 121,676 | (26,707) | 148,384 | 555.6% |
| Operating Cash Flow Margin | 205,351 | 288,854 | (83,504) | -28.9% |

| Selected Obligated Group Cash Flow Information for the | Fiscal Year Ended Jun 30, 2023 | Fiscal Year Ended Jun 30, 2022 | Impact | |
|---|---|---|---------------|--------|
| Net cash provided by operating activities | \$ 131,260 | \$ 50,593 | \$ 80,667 | 159.4% |
| Changes in operating assets and liabilities | (41,961) | (231,242) | 189,281 | 81.9% |
| Capital expenditures | (333,511) | (211,670) | (121,841) | -57.6% |

| Selected Obligated Group Balance Sheet Information as of | Jun 30, 2023 | June 30, 2022 | Impact | |
|---|---------------------|----------------------|---------------|--------|
| Unrestricted cash and investments | \$ 1,799,558 | \$ 1,855,516 | \$ (55,958) | -3.0% |
| Restricted cash and investments | 938,959 | 868,333 | 70,626 | 8.1% |
| Accounts receivable for patient services | 407,284 | 370,352 | 36,932 | -10.0% |
| Net property and equipment | 1,879,905 | 1,692,178 | 187,727 | 11.1% |
| Obligated Group indebtedness | 945,301 | 920,625 | (24,676) | -2.7% |
| Postretirement and pension benefits assets | 7,195 | 45,582 | 38,387 | 84.2% |
| Postretirement and pension benefits liabilities | 4,893 | 98,760 | 93,867 | 95.0% |
| Net assets without donor restrictions | 2,120,717 | 1,923,342 | 197,375 | 10.3% |

Note 1: Refer to ‘Significant Nonrecurring Items’ on page 21 of this Annual Report for a listing of items impacting the Obligated Group’s reported operating income for the fiscal years ended June 30, 2023 and 2022.

Financial Ratios – Obligated Group

| | AUDITED FISCAL YEAR | | | | TARGET |
|---|---------------------|----------------|----------------|----------------|--------------------------------|
| | 2023 Actual | 2022 Actual | 2021 Actual | 2020 Actual | Moody's "A" Median 2022 (2) |
| Operating Performance: | | | | | |
| Operating Margin | 1.1% | 3.5% | 4.1% | -2.9% | 0.1% |
| Operating Margin without Pandemic related funding (4) | 0.4% | 0.8% | 2.1% | -6.3% | 0.1% |
| Excess Margin (1) | 1.2% | 5.0% | 5.6% | -1.7% | 2.7% |
| Operating Cash Flow Margin | 6.1% | 9.1% | 10.2% | 4.1% | 5.6% |
| Liquidity: | | | | | |
| Days Cash on Hand | 206.8 | 232.8 | 289.5 | 255.9 | 206.5 |
| Days in Patient Accounts Receivable | 51.0 | 50.0 | 51.6 | 57.0 | 48.0 |
| Financial Position / Debt Capacity: | | | | | |
| Debt to Capitalization | 30.8% | 32.4% | 32.2% | 39.6% | 31.8% |
| Debt to Cash Flow (1) | 5.2 | 3.0 | 2.9 | 9.4 | 3.6 |
| Cash to Debt | 190.4% | 201.5% | 230.6% | 175.1% | 173.7% |
| Maximum Annual Debt Service Coverage (1) (3) | 3.3x | 5.4x | 5.6x | 2.1x | 3.8x |
| Annual Debt Service Coverage (1) (3) | 5.1x | 7.7x | 7.5x | 3.1x | 4.5x |
| Average Age of Plant in Years | 14.1 | 13.0 | 12.5 | 11.1 | 12.8 |
| Capital Spending Ratio | 2.3 | 1.4 | 1.2 | 1.4 | 1.2 |

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

Note 2: As published by Moody's Investor Services, Fiscal Year 2022 Not-for-Profit Health care Medians for Freestanding Hospitals, Single-State and Multi-State Healthcare Systems, September 2023.

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: Operating income excludes Pandemic related funding of \$21.7, \$84.5, \$61.2 and \$86.0 million through fiscal years ended June 30, 2023, 2022, 2021 and 2020, respectively.

INTRODUCTION

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

RUSH

Effective March 1, 2017, after 30 years of collaboration as members of the same Obligated Group, Rush University Medical Center (“RUMC”) and Rush Copley Medical Center (“RCMC”) entered into a reorganization agreement to fully integrate their operations under the System Parent, forming RUSH. RUSH comprises: (i) RUMC, RCMC and Rush Oak Park Hospital, Inc. (“ROPH”), each of which owns and operates a hospital (the “Hospitals”), (ii) numerous outpatient care facilities throughout the Chicagoland area, (iii) Rush University, a health sciences university with more than 2,700 students comprised of Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College and (iv) Rush Health, RUSH’s physician hospital organization and clinically integrated network, which includes the Hospitals, Riverside Health System in Kankakee and more than 2,500 affiliated providers. As of June 30, 2023, RUSH included three hospitals, 971 staffed beds, and 938 employed physicians.

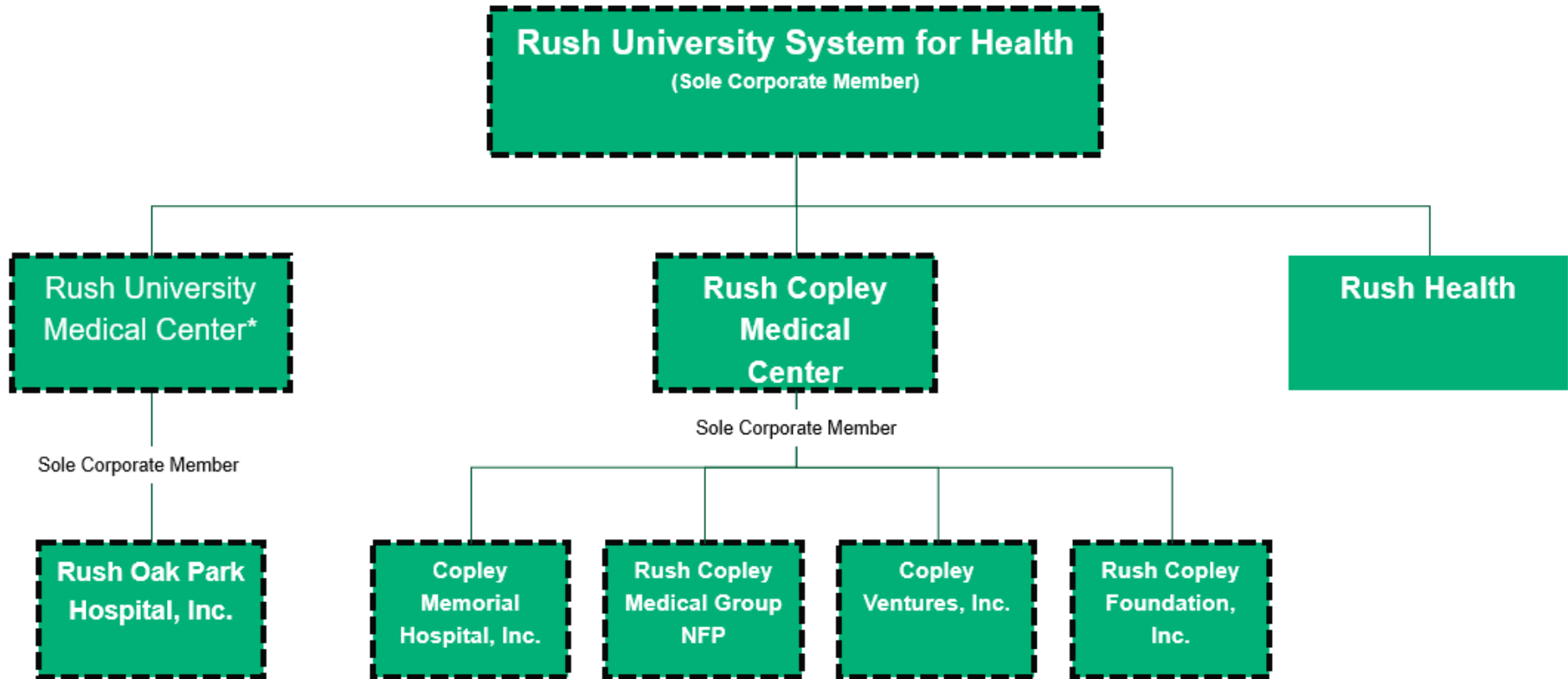
The Obligated Group


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

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

Organizational Chart

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



 = Member of the Obligated Group

*Includes Rush University

Vision, Mission and Imperatives

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

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

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

Presentation of Financial Information

Although the System Parent and the other Obligated Persons listed on page 4 of this report are currently the only members of the RUSH Obligated Group under the Master Trust Indenture, the System Parent controls directly or indirectly, a number of other non-member entities whose revenues and expenses and results of operations are included in RUSH consolidated financial statements included in appendix hereto. Such non-member joint ventures and investment entities are accounted for in RUSH audited consolidated financial statements using the equity method of accounting or are consolidated depending upon the control exercised by the applicable Obligated Group member. Further, the information describing the financial condition of RUSH contained in this Annual Report includes information with respect to these entities which are not Obligated Group members. For the fiscal year ended June 30, 2023, these non-member entities constituted approximately 0.8% of total revenue of RUSH.

Obligated Group Members

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

Rush University Medical Center – RUMC owns and operates an academic medical center located in Chicago, Illinois. Major operations of RUMC include Rush University Hospital ("RUH"), Rush University and Rush University Medical Group ("RUMG"). The hospital operations of RUMC are licensed by the State of Illinois to operate 738 beds and includes the Johnston R. Bowman Health Center, which provides medical and rehabilitative care to older adults and people with short- and long-term disabilities, and Rush University Children's Hospital. According to COMPdata, RUMC is the third largest hospital provider in the eight county Chicago metropolitan area as measured by market share. RUMC is an Illinois not for profit corporation, which is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the "Code").

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

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

Copley Memorial Hospital, Inc. – 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, Inc. – 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. RCMG is an Illinois not for profit taxable corporation.

Non-Obligated Group Members

Rush Health, an Illinois not for profit taxable corporation, was established in 1994 for the purpose of contracting and administering various contracts with certain managed care organizations, marketing and improving clinical processes and outcomes through the integration and coordination of high-quality, patient-focused, cost-effective health care products and services meeting the needs of the patient, employer, community and the provider. Rush Health has evolved into RUSH’s physician hospital organization and clinically integrated network. Members currently include RUMC, ROPH, RCMC, Riverside Health System and more than 2,500 affiliated providers. Rush Health manages more than \$2.9 billion in net patient services revenues and has approximately 146,000 lives covered under a variety of commercial and governmental value-based care arrangements.

Rush Health also operates a subsidiary company, Rush Health ACO, which holds an Medicare Shared Savings Program (“MSSP”) contract. All Rush Health providers are participants in the Rush Health ACO.

RUSH Service Area

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

Governance

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

Medical Staff

Each Hospital has a separate medical staff. The members of each medical staff are appointed by the board of each Hospital in accordance with the appointment and reappointment procedures in the respective medical staff bylaws and according to the respective Hospital’s governance procedures. The categories of membership for each Hospital’s medical staff are determined by each Hospital’s medical staff bylaws. As of June 30, 2023, RUSH’s medical staff consists of 938 employed physicians.

Recognition

In September 2022, RUMC was recognized as being among the top academic medical centers nationwide in the annual ranking by Vizient. RUMC ranked number 3 out of 107 comprehensive US academic medical centers assessed by Vizient for excellence in

delivering high-quality care. Vizient also ranked RUMC number 3 among 55 participating ambulatory (i.e., outpatient clinics) care practices in its Ambulatory Care Quality and Accountability Ranking.

In November 2022, Leapfrog, along with Money magazine, recognized Rush University Medical Center on its new list of Best Hospitals for Ethical Billing.

In November 2022, RUSH Supply Chain was recognized as 15th in the Gartner Healthcare Supply Chain Top 25 of 2022.

In April 2023, Rush University was awarded the 2023 Ellucian Impact Awards in the Innovation category, for a highly successful project to contemporize the tracking of student data. The awards are given to academic institutions to “recognize and celebrate changemakers and thought leaders who are working to innovate within the technology space.”

In May 2023, for the fourth consecutive time, all three RUSH hospitals have received ‘A’ grades, the highest possible, in the latest grades awarded by The Leapfrog Group, a nonprofit watchdog organization. The grades are an assessment of hospitals’ success in protecting patients from harm and medical errors.

In June 2023, The Joan and Paul Rubschlager Building was certified as LEED Gold-certified. Leadership in Energy and Environmental Design, referred to as LEED, is the most widely used green building rating system in the world, and it provides a framework for healthy, efficient and cost-saving green buildings. This new certification is a sustainability win for the building, which joins the Tower as another LEED-certified building on the Rush University Medical Center campus.

In July 2023, for the fifth year in a row, Rush University Medical Center has been recognized as a "Best Place to Work for Disability Inclusion" based on a top score of 90 in the 2023 Disability Equality Index — an increase of 10 points from last year’s score.

In July 2023, for the fourth year in a row, RUSH has earned a place on U.S. News & World Report’s annual Best Hospitals Honor Roll.

In July 2023, Rush Copley Medical Center once again has been recognized for providing a high standard of care for patients having heart attacks, receiving the Platinum Performance Achievement Award from the American College of Cardiology. Rush Copley Medical Center is one of only 262 hospitals nationwide to receive this honor.

In August 2023, all three RUSH hospitals received high marks for quality and patient experience from the Centers for Medicare & Medicaid Services, with Rush University Medical Center and Rush Oak Park Hospital maintaining their five-star ratings, the highest possible designation, and Rush Copley Medical Center earning four stars while improving its overall score. The CMS ratings are widely considered a key indicator of quality, and five stars indicate the highest quality of care, the most positive outcomes and a patient experience that only a small fraction of hospitals demonstrate.

In October 2023, Rush University Medical Center earned a five-year Baby-Friendly hospital redesignation for 2023-2028. This honor recognizes that RUMC continues to adhere to the highest standards of care in infant feeding care.

In October 2023, RUSH and Gift of Hope Organ & Tissue Donor Network announced the establishment of the Midwest’s first hospital-based donor care center. Scheduled to open in July 2024, the Gift of Hope Organ Donor Care Center at RUSH will include six intensive care bays, two operating rooms and 24/7 medical and allied services dedicated to donor management and recovery.

THE HOSPITALS AND UNIVERSITY

Rush University Medical Center

History and Background

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

Location

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

Service Area and Competition

RUMC considers its service area to be the eight counties surrounding and including the City of Chicago. The eight county market area encompasses Cook, DuPage, Kane, Kankakee, Kendall, McHenry, Lake and Will counties. RUMC is the fifth largest inpatient hospital provider in this market area, with a market share of 3.3% for the nine months ended March 31, 2023, unchanged from March 31, 2022. RUMC was the third in Bone and Joint, second in Cancer, third in Neuroscience and fourth in the market in transplant.

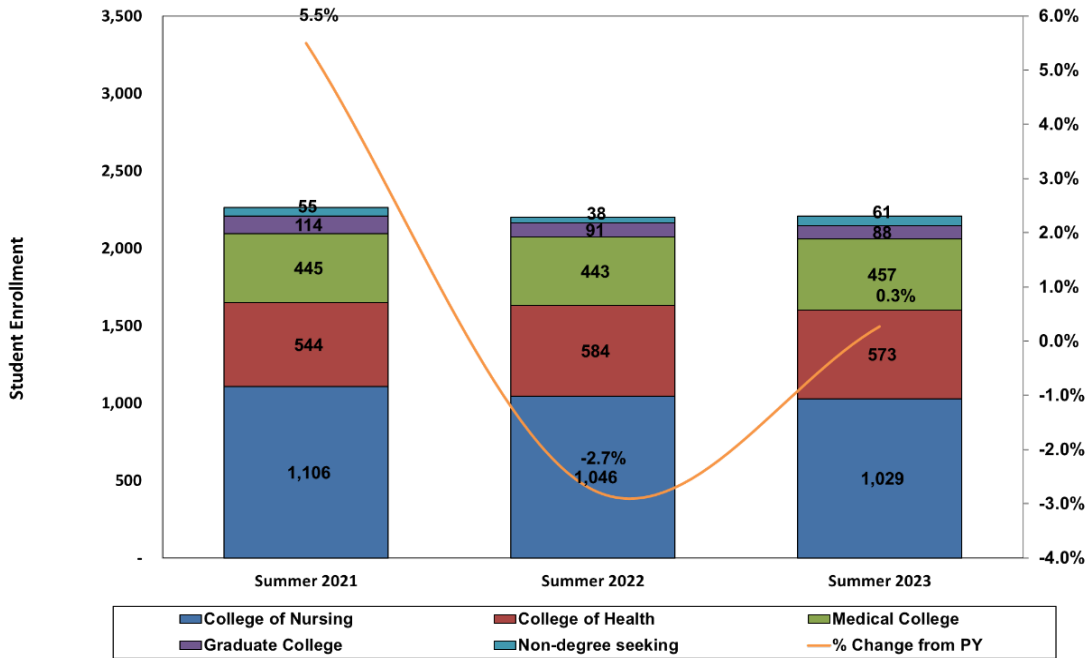
RUMC’s primary service area (“PSA”) consists of 61 ZIP codes that surround the RUMC main campus. These ZIP codes were responsible for 58.1% and 58.0% of RUMC’s total discharges in fiscal year 2023 through Q3 and 2022, respectively.

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

Rush University

Rush University, which includes Rush Medical College, the College of Nursing, the College of Health Sciences and the Graduate College, was established in 1972 as the higher education component of RUMC. The antecedent to Rush University dates from 1837 when Rush Medical College was founded, two days before the city of Chicago was chartered. Rush Medical College graduated 10,976 physicians before suspending operations in 1942. It was reactivated in 1969. Rush University’s reputation for excellence is reinforced by U.S. News & World Report 2023 - 2024 Best Graduate Schools rankings. The College of Nursing is ranked second in the Overall Doctor of Nursing Practice category. In addition, the College of Nursing ranked in the top five in six other categories.

Revenue consists mainly of tuition revenue. Expenses are those instructional expenses required to educate the students. Enrollment continues to be relatively steady with total enrollment in the four colleges of 2,208 students in the summer of 2023. Total summer enrollment for 2021, 2022 and 2023 in Rush University is shown on the following table.



Rush Copley Medical Center

History and Background

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

Location

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

Service Area and Competition

RCMC's PSA is located almost wholly in southern Kane County and Kendall County, as well as parts of DuPage, DeKalb, LaSalle, Grundy, and Will counties and is comprised of Aurora and communities to the west of Aurora including Montgomery, Oswego, Sugar Grove, Yorkville and a number of other rural communities in Kendall County. RCMC is the largest inpatient hospital provider in this market area, with a market share of 38.4% for the nine months ended March 31, 2023.

Rush Oak Park Hospital

History and Background

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

Location

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

Service Area and Competition

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

ROPH is a full service community hospital offering a comprehensive range of inpatient and outpatient services. In addition to traditional community hospital services, ROPH also provides comprehensive diabetes care, orthopaedics, Rush Radiation Therapy Center, and a newly built Electrophysiology Lab fully equipped to treat patients with arrhythmias and other heart-related conditions.

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 the fiscal years ended June 30, 2023 and 2022:

| | Fiscal Year Ended | |
|-------------------------|-------------------|-------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Beds: | | |
| Licensed | 1,133 | 1,102 |
| Staffed | 971 | 967 |
| Utilization Statistics: | | |
| Admissions | 46,868 | 45,934 |
| Patient Days | 254,692 | 250,442 |
| Average length of stay | 5.43 | 5.45 |
| Adjusted Discharges | 119,189 | 112,885 |
| Occupancy: | | |
| RUMC | 72.1% | 71.2% |
| ROPH | 62.1% | 62.6% |
| RCMC | 75.3% | 73.4% |
| Obligated Group | 71.9% | 71.0% |
| Emergency Room Visits: | 180,479 | 174,950 |
| Surgical Procedures: | | |
| Inpatient | 13,755 | 13,744 |
| Outpatient | 45,335 | 43,579 |
| Total | 59,090 | 57,323 |
| Volumes: | | |
| Provider Visits | 1,208,676 | 1,139,279 |
| Outpatient Visits | 963,044 | 925,457 |
| Total | 2,171,720 | 2,064,736 |

Summary of Revenues and Expenses

The selected financial data for the fiscal years ended June 30, 2023 and 2022 are derived from audited consolidated financial statements of RUSH. The audited consolidated financial statements include all adjustments, including normal recurring accruals, which RUSH considers necessary for a fair presentation of the financial position and the results of operations for these periods. See below for various highlights of the annual results:

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

Operating Results

The operating results of the Obligated Group for the fiscal years ended June 30, 2023 and 2022 were as follows:

A breakdown of the inpatient and outpatient revenue was 41.0% inpatient and 59.0% outpatient for the fiscal year ended June 30, 2023, while the breakdown was 42.2% inpatient and 57.8% outpatient for the fiscal year ended June 30, 2022.

Summary of Statement of Operations - Obligated Group

| <i>(In thousands)</i> | Fiscal Year Ended | |
|--|--------------------------|--------------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Patient service revenue (1) | \$ 2,916,374 | \$ 2,702,767 |
| Other operating revenue | 437,458 | 464,120 |
| Total operating revenue | <u>3,353,832</u> | <u>3,166,887</u> |
| Salaries, wages and employee benefits | 1,716,344 | 1,592,629 |
| Supplies, utilities and other | 1,086,567 | 970,180 |
| Professional liability and other insurance | 73,378 | 57,607 |
| Purchased services | 272,192 | 257,616 |
| Depreciation and amortization | 142,829 | 147,748 |
| Interest | 26,964 | 30,609 |
| Total operating expenses | <u>3,318,274</u> | <u>3,056,389</u> |
| Operating income | 35,558 | 110,498 |
| Non-operating income (expense) | 86,118 | (137,205) |
| Excess (Deficit) of revenue over expenses | <u>\$ 121,676</u> | <u>\$ (26,707)</u> |

(1) Patient service revenue is net of implicit and explicit price concessions for the fiscal years ended June 30, 2023 and 2022.

Liquidity

The following table sets forth the Obligated Group's liquidity, namely unrestricted cash and cash equivalents and marketable securities, which include investments designated for capital purposes and includes Medicare Advance and Accelerated Payments of \$0 and \$33.9 million for the fiscal years ended June 30, 2023 and 2022, respectively. Excluded from liquidity are investments limited as to use for donor purposes, interest in collateral pools, trust assets limited for use to the self-insurance program and debt service reserve funds.

Obligated Group Liquidity

| <i>(In thousands)</i> | Fiscal Year Ended | |
|---|--------------------------|---------------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Unrestricted cash and cash equivalents | \$ 424,325 | \$ 498,247 |
| Unrestricted marketable securities | 1,375,233 | 1,357,270 |
| Total unrestricted cash and marketable securities | 1,799,558 | 1,855,517 |
| Total operating expenses | 3,318,274 | 3,056,389 |
| Depreciation and amortization | 142,829 | 147,748 |
| Total operating expenses less depreciation and amortization | <u>\$ 3,175,445</u> | <u>\$ 2,908,641</u> |
| Days cash on hand | 206.8 | 232.8 |

Capitalization

The following table reflects the Obligated Group's historical long-term indebtedness as a percentage of total capitalization for the fiscal years ended June 30, 2023 and 2022:

Historical Long-Term Capitalization

| <i>(In thousands)</i> | Fiscal Year Ended | |
|---|-------------------|--------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Long-term debt | \$ 902,022 | \$ 918,262 |
| Capital leases and other financing arrangements | 43,279 | 2,363 |
| Total debt | 945,301 | 920,625 |
| Net assets without donor restrictions | 2,120,717 | 1,923,342 |
| Total Capitalization | \$ 3,066,018 | \$ 2,843,967 |
| Capitalization Ratio | 30.8% | 32.4% |

Sources of Revenue

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

The following is a summary of gross patient service revenue payor mix for the fiscal years ended June 30, 2023 and 2022:

Sources of Gross Patient Service Revenue - Obligated Group

| | Fiscal Year Ended | |
|-----------------------|-------------------|----------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Medicare | 26.0 % | 28.6 % |
| Medicare Managed Care | 14.8 | 12.1 |
| Medicaid | 3.3 | 2.7 |
| Medicaid Managed Care | 19.8 | 18.9 |
| Blue Cross | 21.1 | 22.1 |
| Managed Care | 12.3 | 12.8 |
| Commercial & Self-Pay | 2.6 | 2.8 |
| Total | <u>100.0 %</u> | <u>100.0 %</u> |

The Illinois Hospital Assessment Program ("HAP") was redesigned and reauthorized by the Illinois General Assembly in May 2020 and subsequently signed into law by Governor Pritzker as Illinois Public Law 101-0650. The HAP program provides for increased Illinois Medicaid and Illinois Medicaid Managed Care rates and better recognizes patient volumes as well as acuity.

HB 1950 was signed into law by the Governor as Illinois Public Law 102-866 effectively extending the current HAP for the State of Illinois through 2026. The legislation maintains the current HAP's tax structure and has the intended outcome that no hospital or hospital system would have a projected impact under the HAP for calendar year 2023 that is less than its net impact in calendar year 2021, assuming volumes and patient acuity remain unchanged.

The combined HAP's impact on the Consolidated Statements of Operations during the fiscal years ended June 30, 2023 and 2022:

Illinois Hospital Assessment Program Impact

| <i>(In thousands)</i> | Fiscal Year Ended | |
|---------------------------------------|--------------------------|------------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Patient service revenue | \$ 168,660 | \$ 156,292 |
| Supplies, utilities and other expense | \$ 81,927 | 66,378 |
| Operating income | <u>\$ 86,733</u> | <u>\$ 89,914</u> |

Debt Service Coverage

The following tables sets forth the actual maximum annual debt service coverage on the Indebtedness of the Obligated Group for the fiscal years ended June 30, 2023 and June 30, 2022:

Debt Service Coverage

| <i>(In thousands)</i> | Fiscal Year Ended | |
|--|--------------------------|-------------------|
| | June 30, | |
| | <u>2023</u> | <u>2022</u> |
| Excess of revenues over expenses | \$ 121,676 | \$ (26,707) |
| Exclude certain special items: | | |
| Change in fair value of interest rate swaps | 3,017 | 7,228 |
| Unrealized gain / (loss) on trading securities | 78,153 | (189,363) |
| Net (gain) loss on sales | 48 | (4,506) |
| Net Income, excluding special items | 40,457 | 159,934 |
| Depreciation and amortization | 142,829 | 147,748 |
| Interest | 26,964 | 30,609 |
| Income available for debt service | <u>\$ 210,251</u> | <u>\$ 338,291</u> |
| Maximum Annual Debt Service Requirement | 63,793 | 62,797 |
| Maximum Annual Debt Service Coverage Ratio | 3.3 | 5.4 |

Recent Financial Performance – Fiscal Years Ended June 30, 2023 and 2022

Drivers of Performance – Operating Revenue – Operating revenue for RUSH increased by \$192.0 million or 6.1% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023. The largest contributor to operating revenue is patient service revenue in the hospitals contributing 72.6% of operating revenue for the fiscal year ended June 30, 2023.

RUSH Revenue Sources

| | Fiscal Year Ended June 30, | | | |
|----------------------------|-----------------------------------|-------------------|------------------------------|-------------------|
| | 2023 | | 2022 | |
| | Operating Revenue | % of Total | Operating Revenue | % of Total |
| Patient Service Revenue: | | | | |
| Hospitals | \$ 2,439,016 | 72.6% | \$ 2,272,688 | 71.7% |
| Physician Practice Plans | 477,358 | 14.2% | 430,079 | 13.6% |
| University Services: | | | | |
| Research | 194,507 | 5.8% | 170,304 | 5.4% |
| Education (*) | 95,356 | 2.8% | 91,240 | 2.9% |
| Other Operating Activities | 154,244 | 4.6% | 204,121 | 6.4% |
| Total | <u>\$ 3,360,481</u> | <u>100.0%</u> | <u>\$ 3,168,432</u> | <u>100.0%</u> |

* 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 \$213.6 million or 7.9% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 driven by outpatient services such as Cancer, Diagnostic and Endoscopy services.

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 64.0% and 62.3% of the Obligated Group’s gross patient service revenues for the fiscal years ended June 30, 2023 and 2022, 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. There have been several redesigns of the Hospital Assessment Program (HAP) with the latest bill extending the HAP through 2026. 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, 2023 and 2022, by major payor source and by lines of business was as follows:

June 30, 2023

| | Hospitals | Physician Groups | Clinical Joint Ventures & Other | Total | % |
|---------------------------------|---------------------|-----------------------------|--|---------------------|----------------|
| Medicare | \$ 484,740 | \$ 60,887 | \$ 6,381 | \$ 552,008 | 18.9 % |
| Medicare Managed Care | 209,310 | 32,811 | 30,727 | 272,848 | 9.4 % |
| Medicaid | 66,277 | 6,714 | 2,488 | 75,479 | 2.6 % |
| Medicaid Managed Care | 346,542 | 41,366 | 32,704 | 420,612 | 14.5 % |
| Managed Care | 343,082 | 68,630 | 32,992 | 444,704 | 15.2 % |
| Blue Cross | 712,330 | 106,095 | 16,197 | 834,622 | 28.6 % |
| Commercial, Self-Pay, and Other | <u>259,888</u> | <u>47,722</u> | <u>8,491</u> | <u>316,101</u> | <u>10.8 %</u> |
| Total Patient Service Revenue | <u>\$ 2,422,169</u> | <u>\$ 364,225</u> | <u>\$ 129,980</u> | <u>\$ 2,916,374</u> | <u>100.0 %</u> |

June 30, 2022

| | Hospitals | Physician Groups | Clinical Joint Ventures & Other | Total | % |
|---------------------------------|---------------------|-----------------------------|--|---------------------|----------------|
| Medicare | \$ 458,213 | \$ 57,407 | \$ 17,540 | \$ 533,160 | 19.7% |
| Medicare Managed Care | 173,271 | 24,980 | - | 198,251 | 7.3% |
| Medicaid | 54,379 | 3,431 | 1,539 | 59,349 | 2.2% |
| Medicaid Managed Care | 325,905 | 36,624 | 25,186 | 387,715 | 14.4% |
| Managed Care | 357,723 | 61,926 | 43,192 | 462,841 | 17.1% |
| Blue Cross | 680,460 | 94,444 | 16,368 | 791,272 | 29.3% |
| Commercial, Self-Pay, and Other | <u>230,816</u> | <u>31,192</u> | <u>8,171</u> | <u>270,179</u> | <u>10.0 %</u> |
| Total Patient Service Revenue | <u>\$ 2,280,767</u> | <u>\$ 310,004</u> | <u>\$ 111,996</u> | <u>\$ 2,702,767</u> | <u>100.0 %</u> |

Physician Practice Plans – Total patient service revenue from the physician practice plans increased \$47.3 million or 11.0% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 mainly due to increased volumes.

Other Operating Revenue – Other operating revenue represented 13.2% of total operating revenue for the fiscal year ended June 30, 2023 and decreased \$21.6 million or 4.6% from the fiscal year ended June 30, 2022. Other operating revenue consists primarily of external funding for research and internal fund support to research (44%), tuition and educational grants (21%) and other non-patient care service operating activities (35%). Other operating activities decreased by \$49.9 million or 24% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 due to the decrease in Pandemic related funding.

Drivers of Performance – Operating Expense – Operating expenses increased by \$262.6 million or 8.5% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023. Operating costs as a percentage of operating revenue for the fiscal years ended June 30, 2023 and 2022:

RUSH Operating Costs as a Percentage of Operating Revenue

| | Fiscal Year Ended June 30, | |
|--|---------------------------------------|-------------|
| | <u>2023</u> | <u>2022</u> |
| Salaries, wages and employee benefits | 51.4% | 50.6% |
| Supplies, utilities and other (including purchased services) | 40.6% | 38.9% |
| Depreciation and amortization | 4.3% | 4.7% |
| Professional liability and other insurance | 2.2% | 1.8% |
| Interest | 0.8% | 1.0% |

Salaries, Wages and Employee Benefits – Salaries, wages and employee benefits increased by \$123.9 million or 7.7% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 due to workforce challenges such as increase agency use, retention

and other labor initiatives. Agency use increased \$9.0 million or 28.0% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023.

The table below shows the employed FTEs and employed physicians for RUSH at fiscal years ended June 30, 2022 and June 30, 2021:

FTE and Employed Physicians Statistics

| | As of Jun 30, | | Percent Change |
|---------------------------------|---------------|--------|-------------------|
| | 2023 | 2022 | |
| Number of Full-time Equivalents | 14,021 | 12,809 | 9.5% |
| Number of Employed Physicians | 938 | 846 | 10.9% |

Note: Of the 14,021, FTEs, approximately 7.5% of non-clinical employees are represented by a union.

Supplies, utilities and other expense, including purchased services – Supplies, utilities and other expense, including purchased services increased \$131.4 million or 10.7% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023 due to inflationary increases in supplies and drug expenses.

Depreciation and amortization expense – Depreciation and amortization expense decreased by \$4.9 million or 3.3% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023.

Professional liability and other insurance – Professional liability and other insurance expense increased by \$15.8 million or 27.4% from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023.

Interest expense – Interest expense was \$27.0 million for the fiscal year ended June 30, 2023, a decrease of \$3.6 million or 11.9% from the fiscal year ended June 30, 2022.

Significant Nonrecurring Items – During the fiscal years ended June 30, 2023 and 2022, significant nonrecurring items impacted the Obligated Group’s reported operating income as follows:

| <i>(In millions)</i> | Jun 30, 2023 | Jun 30, 2023 Operating Margin | Jun 30, 2022 | Jun 30, 2022 Operating Margin |
|------------------------------------|---------------|-------------------------------------|----------------|-------------------------------------|
| Operating income reported | \$35.6 | 1.1% | \$110.5 | 3.5% |
| Items impacting operating revenue | (35.5) | (1.1) | (102.3) | (3.2) |
| Items impacting operating expenses | (0.0) | 0.0 | 29.1 | 0.9 |
| Total adjustments | (35.5) | (1.1) | (73.2) | (2.3) |
| Operating income | \$0.1 | 0.0% | \$37.3 | 1.2% |

Key items impacting operating revenue for June 30, 2023 was \$19.7 million in Hospital Pandemic Recovery Stabilization Payment, \$2.0 million FEMA funds, and \$12.0 million in Cost Report amendments.

Non-operating Income/Expense – Total non-operating income increased by \$223.8 million from the fiscal year ended June 30, 2022 to the fiscal year ended June 30, 2023. Non-operating income consists of unrealized investment returns, unrestricted contributions, and interest rate swaps. The increase is due to favorable market.

Liquidity and Capital Resources – The Obligated Group’s unrestricted cash and investments at market value decreased by \$56.0 million or 3.0% from June 30, 2022. The days cash on hand decreased 26.0 days to 206.8 days as of June 30, 2023 from 232.8 as of June 30, 2022. Included in unrestricted cash and investments was \$186.8 million and \$168.1 million of Specific Purpose Fund balances as of

June 30, 2023 and June 30, 2022, respectively, and \$76.6 million and \$75.4 million of appreciation on the unrestricted portion of RUMC's endowment as of June 30, 2023 and June 30, 2022, respectively.

Excluded from unrestricted cash and investments is the appreciation on the restricted portion of RUMC's endowment fund of \$407.1 million and \$367.9 million as of June 30, 2023 and June 30, 2022, respectively. These temporarily restricted funds are used to support specific purposes such as research and education.

RUSH hospitals, as well as other Illinois hospitals, have experienced significant delays in payments by the State of Illinois for amounts due under Medicaid, Medicaid Managed Care, and the Aetna State of Illinois insurance programs over the last several years. As of June 30, 2023, the State of Illinois receivables has decreased by 6.6% compared to June 30, 2022 and amounts outstanding over 90 days have decreased by 19.3%. RUSH will continue to closely monitor the outstanding receivables from the state and evaluate any impact of possible future delays in collections.

The Obligated Groups' indebtedness, including capital leases, deferred financing obligations and guarantees, was \$945.3 million and \$920.6 million at June 30, 2023 and June 30, 2022, respectively. The Obligated Group's ratio of the sum of unrestricted cash and investments and debt service reserve funds to indebtedness was 190.4% at June 30, 2023 a decrease from 201.5% at June 30, 2022.

Capital Expenditures

Total capital expenditures for RUSH amounted to \$333.6 million for the fiscal year ended June 30, 2023. One of the largest initiatives during fiscal year 2023 was the build out of the Joan and Paul Rubschlager Building that will enhance cancer and neuroscience care at RUMC. It opened its doors February 2023. Other initiatives include 4 Tower PR-8 Biplane Replacement of \$2.1 million, RADC Buildout of \$3.6 million, 5 Atrium Renovation of \$3.0 million and Information Technology solutions (refer to page 29 for Information Technology). The Obligated Group's construction commitments outstanding as of June 30, 2023 and June 30, 2022 were \$121.8 and \$186.4 million, respectively.

MISCELLANEOUS

New Accounting Pronouncements

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

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 February 7, 2023, S&P affirmed the Obligated Group's A+ rating and outlook of "Stable". As of February 13, 2023, Fitch affirmed the Obligated Group's rating of AA- and outlook of "Stable". As of April 27, 2022, Moody's affirmed the Obligated Group's A1 rating and "Stable" outlook.

Any explanation of the significance of such ratings may only be obtained from Moody's, S&P and Fitch. Certain information and materials not included in this Annual Report may have been furnished to Moody's, S&P and Fitch concerning the Obligated Group. Generally, rating agencies base their ratings on such information and materials and on investigations, studies and assumptions by the rating agencies. Such ratings reflect only the views of such organizations, and an explanation of the significance of such ratings may be

obtained only from the rating agencies furnishing the same. There is no assurance that such ratings will remain in effect for any given period of time or that such ratings will not be revised downward or upward or withdrawn entirely by any of such rating agencies if, in the judgment of such rating agency, circumstances warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price or marketability of the Obligated Group's outstanding bonds.

Licenses, Accreditations and Memberships

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

Community Benefits

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

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

In fiscal years ended June 30, 2022 and 2021, RUSH's total community benefit was \$643.9 million and \$515.8 million, respectively. Charity care amounted to \$36.4 and \$23.7 million during fiscal years ended June 30, 2022 and 2021, respectively. The increase in Charity Care is primarily due to the inclusion of self-pay patient discounts that were not included in prior years calculations (for patients at or below 600% of the Federal Poverty Level) and the discontinuation of Health Resources & Services Administration COVID-19 Uninsured Program ("HRSA COVID-19 Uninsured Program").

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

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

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

Pension Plans

RUSH sponsors a defined benefit retirement plan for employees of RUMC and ROPH. Investment policy for the plan's assets is overseen by the System Investment Committee of the System Parent Board of Trustees.

- **Funded Status** – RUSH regularly monitors the plan's funded status. The plan's funded ratio for the fiscal year ended June 30, 2023 is 100.8%.
- **Funding** – For the past ten consecutive calendar years, RUMC contributed more than the minimum required by Employee Retirement Income Security Act and the Code funding rules. During the fiscal years ended June 30, 2023 and 2022, RUMC contributed \$28.0 and \$28.5 million, respectively, to the plan.
- **Investment Policy** – The portfolio's primary investment objective is to achieve a total return in excess of the plan's liability over the long term with consideration to funded status (or surplus) volatility. In pursuit of this objective, a liability-driven investment approach is utilized that seeks to reduce risk as funded status improves.

Effective at the close of business December 31, 2022, the Rush Retirement Plan merged into the Pre-2015 Separations Plan and all participants in the Retirement Plan become participants in the Pre-2015 Separations Plan on January 1, 2023. The Pre-2015 Separations Plan was renamed the RUSH Retirement Plan and all participation and benefit accruals continue under the Plan. As a result of the merger, pension assets and liabilities were remeasured at the merger date and the net pension benefit cost was updated for the period January 1, 2023 through June 30, 2023.

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

Investment Policies

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

The objective of the RUMC self-insurance trust is to fund the self-insurance obligations of RUMC. As of June 30, 2023, the self-insurance trust assets had a market value of \$179.0 million versus a market value of \$168.1 million as of June 30, 2022. The following table shows the current asset allocation targets and ranges as well as the asset allocation as of June 30, 2023 and June 30, 2022 for the self-insurance trust:

| Asset Class | Target Allocation and Range | | Percentage Trust Assets as of | |
|-------------------|-----------------------------|----------|-------------------------------|--------------|
| | | | Jun 30, 2023 | Jun 30, 2022 |
| Public Equity | 40% | (+/-10%) | 45.7% | 39.5% |
| Fixed Income | 35% | (+/-10%) | 28.8% | 26.1% |
| U.S. Treasuries | 25% | (+/-10%) | 22.0% | 26.6% |
| Cash/Money Market | 0% | - | 3.5% | 7.8% |
| Total | | | 100% | 100% |

Fair Value Measurements

As of June 30, 2023 and 2022, RUSH held certain assets and liabilities that are required to be measured at fair value on a recurring basis, including marketable securities and short-term investments, certain restricted, trustee and other investments, derivative instruments, and beneficial interests in trusts.

Valuation Principles

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

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

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

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

Fair Value Measurements at the Consolidated Balance Sheet Date

The following tables present RUSH’s fair value hierarchy for its financial assets and liabilities measured at fair value on a recurring basis as of June 30, 2023 and 2022:

| Fair Value Measurements as of June 30, 2023 | Level 1 | Level 2 | Level 3 | Total Fair Value |
|---|---------------------|-------------------|------------------|---------------------|
| Assets | | | | |
| Marketable securities and short-term investments | \$ 29,055 | \$ - | \$ - | \$ 29,055 |
| Fixed Income Securities: | | | | |
| U.S. Government and Agency securities | - | 306,766 | - | 306,766 |
| Corporate Bonds | 107 | 62,118 | - | 62,225 |
| Asset backed securities and other | - | 91,620 | 6,157 | 97,777 |
| Public Equity Securities | 472,326 | 3,359 | - | 475,685 |
| Mutual Funds | 557,411 | 7,837 | - | 565,248 |
| Other assets | - | - | 35,608 | 35,608 |
| Total assets at fair value | <u>\$ 1,058,899</u> | <u>\$ 471,700</u> | <u>\$ 41,765</u> | \$ 1,572,364 |
| Investments Valued at NAV | | | | \$ 741,540 |
| Pending Trades | | | | (9,876) |
| Total assets | | | | <u>\$ 2,304,028</u> |
| Liabilities | | | | |
| Obligations under interest rate swap agreements | \$ - | \$ (3,764) | \$ - | \$ (3,764) |
| Derivative liabilities | 194 | (509) | - | (315) |
| Total liabilities at fair value | <u>\$ 194</u> | <u>\$ (4,273)</u> | <u>\$ -</u> | <u>\$ (4,079)</u> |
| | | | | |
| Fair Value Measurements as of June 30, 2022 | Level 1 | Level 2 | Level 3 | Total Fair Value |
| Assets | | | | |
| Marketable securities and short-term investments | \$ 127,568 | \$ 33,214 | \$ - | \$ 160,782 |
| Fixed Income Securities: | | | | |
| U.S. Government and Agency securities | - | 349,772 | - | 349,772 |
| Corporate Bonds | - | 86,448 | - | 86,448 |
| Asset backed securities and other | - | 17,743 | 6,022 | 23,765 |
| Public Equity Securities | 406,401 | - | - | 406,401 |
| Mutual Funds | 528,148 | - | - | 528,148 |
| Other assets | - | (387) | 30,974 | 30,587 |
| Total assets at fair value | <u>\$ 1,062,117</u> | <u>\$ 486,790</u> | <u>\$ 36,996</u> | \$ 1,585,903 |
| Investments Valued at NAV | | | | \$ 717,596 |
| Pending Trades | | | | (91,885) |
| Total assets | | | | <u>\$ 2,211,614</u> |
| Liabilities | | | | |
| Obligations under interest rate swap agreements | \$ - | \$ (6,782) | \$ - | \$ (6,782) |
| Total liabilities at fair value | <u>\$ -</u> | <u>\$ (6,782)</u> | <u>\$ -</u> | <u>\$ (6,782)</u> |

The 2022 table was updated to reflect the 2023 presentation which simplifies the composition of investments.

Level 3 Rollforward

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

| | Total |
|---|------------------|
| Fair value—June 30, 2021 | \$ 42,617 |
| Actual return on investments—Realized and unrealized (losses) and gains | (6,121) |
| Purchases | 500 |
| Sales | <u>-</u> |
| Fair value—June 30, 2022 | 36,996 |
| Actual return on investments—Realized and unrealized gains and (losses) | 1,904 |
| Purchases | 2,865 |
| Sales | <u>-</u> |
| Fair value—June 30, 2023 | <u>\$ 41,765</u> |

During the fiscal year 2022 and 2021, there were no transfers in Level 3 investments.

Investments in Entities that Report Fair Value Using NAV

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

Common Collective Trusts—Commingled funds formed from the pooling of investments under common management. Unlike a mutual fund, these investments are not registered investment companies and therefore are exempt from registering with the Securities and Exchange Commission. Underlying investments within this category consist of public equity securities. The fair value of common collective trusts classified at NAV are primarily determined using the calculated NAV at the valuation date under a market approach.

Alternative Investments—Investments within this category consist primarily of hedge funds, private equity and private debt. Hedge fund 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. Private equity and private debt partnerships are valued based on the estimated fair values of the nonmarketable private equity and private debt partnerships in which it invests, which is an equivalent of NAV.

The following table summarizes RUSH's investments and unfunded commitments that report fair value using NAV as of June 30, 2023:

| Entities that Report Fair Value Using NAV | Fair Value at June 30, 2023 | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|-----------------------------|----------------------|--|--------------------------|
| Common Collective Trusts | \$ 392,041 | None | Daily/Monthly | 1-15 days |
| Alternative Investments: | | | | |
| Hedge Funds | 71,385 | None | Quarterly | 65-95 days |
| Private Equity | <u>278,114</u> | <u>107,593</u> | Not currently redeemable | N/A |
| Total | <u>\$ 741,540</u> | <u>\$ 107,593</u> | | |

| Entities that Report Fair Value Using NAV | Fair Value at June 30, 2022 | Unfunded Commitments | Redemption Frequency (If Currently Eligible) | Redemption Notice Period |
|---|-----------------------------|----------------------|--|--------------------------|
| Common Collective Trusts | \$ 322,072 | None | Daily/Monthly | 1-15 days |
| Alternative Investments: | | | | |
| Hedge Funds | 106,621 | None | Quarterly | 65-95 days |
| Private Equity | <u>288,903</u> | <u>96,045</u> | Not currently redeemable | N/A |
| Total | <u>\$ 717,596</u> | <u>\$ 96,045</u> | | |

Endowment Investment and Spending Policies

RUSH has adopted endowment investment and spending policies to preserve purchasing power over the long term and provide stable annual support to the programs supported by the endowment, including professorships, research and education, free care, student financial aid, scholarships, and fellowships. Approximately 16% of RUSH's endowment is available for general purposes for the years ended June 30, 2023 and 2022.

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

The asset allocation policy reflects the objective with allocations structured for capital growth and inflation protection over the long term. The current asset allocation targets and ranges as well as the asset allocation as of June 30, 2023 and 2022, are as follows:

| Asset Class | Target Allocation and Range | Percentage of Endowment Assets | |
|-----------------|-----------------------------|--------------------------------|------|
| | | 2023 | 2022 |
| Public Equity | 60% (+/- 10%) | 63 % | 56 % |
| Fixed Income | 15% (+/- 10%) | 7 | 7 |
| U.S. Treasuries | 10% (+/- 10%) | 10 | 8 |
| Private Equity | 15% (+/- 10%) | 20 | 21 |
| Cash | - | - | 8 |

To achieve its long-term rate of return objectives, RUSH relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The expected long-term rate of

return target of the endowment given its current asset allocation structure is approximately 7.0%. Actual returns in any given year may vary from this amount. RUSH has established market-related benchmarks to evaluate the endowment fund’s performance on an ongoing basis.

The System Parent Board of Trustees approves the annual spending policy for program support. In establishing the annual spending policy, RUSH’s main objectives are to provide for intergenerational equity over the long term, the concept that future beneficiaries will receive the same level of support as current beneficiaries on an inflation-adjusted basis, and to maximize annual support to the programs supported by the endowment. The spending rate was 4.5% and 4.0% for the fiscal years ended June 30, 2023 and 2022 respectively and income from the endowment fund provided \$27.1 and \$23.9 million of support for RUSH’s programs during the fiscal years ended June 30, 2023 and 2022, respectively.

Interest Rate Swap Agreements

The Obligated Group has two interest rate swap agreements (the “Swap Agreements”), which were designed to synthetically fix the interest payments on its Series 2006A Bonds. Under the Swap Agreements, the Obligated Group makes fixed-rate payments equal to 3.945% to the swap counterparties and receives variable-rate payments equal to 68% of London InterBank Offered Rate (3.548% and 1.215% as of June 30, 2023 and 2022, respectively) from the swap counterparties, each calculated on the notional amount of the Swap Agreements. As of June 30, 2023 and 2022, the Swap Agreements had a notional amount of \$58.9 and \$63.2 million, respectively, (\$29.4 million in notional amount with each counterparty). Following the refinancing of the Series 2006A Bonds into the Series 2016 Bonds, the Obligated Group used \$50,000 in notional amount of the Swap Agreements to synthetically fix the interest on the Series 2016 Bonds. The Swap Agreements each expire on November 1, 2035 and amortize annually commencing in November 2012. The Swap Agreements are secured by obligations issued under the Master Trust Indenture.

The Swap Agreements also require either party to post collateral in the form of cash and certain cash equivalents to secure potential termination payments. The amount of collateral that is required to be posted is based on the relevant party’s long-term credit rating. Based on its current rating, the Obligated Group is required to post collateral with the Swap Counterparties in the event that the market value of the Swap Agreements exceeds \$(30,000) or \$(15,000) for each Swap Agreement. As of June 30, 2023, the Obligated Group had no collateral posted under Swap Agreements.

The fair value of the Swap Agreements reported in RUSH’s consolidated balance sheets as of June 30, 2023 and 2022, includes an adjustment for the Obligated Group’s credit risk and may not be indicative of the termination value that RUSH would be required to pay upon early termination of the Swap Agreements.

Management has not designated the Swap Agreements as hedging instruments. Amounts recorded in the accompanying consolidated statements of operations and changes in net assets for the Swap Agreements allocated to RUSH for the fiscal years ended June 30, 2023 and 2022:

| | | Swap Disclosures | |
|---|-------------------------------|--------------------------|-------------|
| <i>(In Thousands)</i> | Reported As | Fiscal Year Ended | |
| | | June 30, | |
| | | <u>2023</u> | <u>2022</u> |
| Change in Fair Value of Interest Rate Swaps | Nonoperating Income (Expense) | \$ 3,017 | \$ 7,228 |
| Net Cash Payments on Interest Rate Swaps | Interest Expense | \$ (616) | \$ (2,039) |

Affiliations, Merger, Acquisition and Divestiture

Management of RUSH is actively considering and evaluating potential affiliation candidates as part of the overall strategic planning and development process. As part of its ongoing planning and property management functions, management reviews the use, compatibility and business viability of many of the operations of RUSH, and from time to time RUSH may pursue changes in the use of, or disposition of, their facilities. RUSH receives offers from and/or conducts discussions with third-parties about potential affiliations and joint venture

opportunities. As a result, it is possible that the current organization, assets, operations and financial condition of RUSH may change from time to time as a result of such affiliations, mergers, acquisitions and divestitures.

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

Information Technology

The Obligated Group strives to be a national leader for the innovative use of informatics and technology to support safe, effective and efficient patient-centered quality health care, empowering customers and partners by advancing technology solutions that enable the Obligated Group to achieve its mission, vision and values. Total initiatives of \$22.3 million includes clinical network upgrade \$2.5 million, desktop refresh \$2.4 million, Epic server refresh \$1.7 million, backup system refresh \$1.4 million and server infrastructure project \$1.2 million. RUSH is also developing a digital platform to improve the patient experience. During the fiscal years ended June 30, 2023 and 2022, the Obligated Group has spent \$147.9 and \$115.8 million, respectively, on IT expenditures, which represents 4.4% and 3.7% of its operating revenue.

Recent Transactions and Other Matters

In January 2022, an ERISA putative class action was filed against RUMC and other defendants alleging breaches of fiduciary duty with respect to the fees and investments associated with RUMC's 403(b) plan. In July 2022, the parties reached a class-wide resolution which is subject to court approval. On January 19, 2023, the court entered final approval of the proposed settlement. The matter is now closed.

The IRS began a routine examination of the Rush University Medical Center Retirement Plan on April 13, 2022, with respect to the Plan Year ended December 31, 2019. During the audit, the IRS agent requested various plan-related information, including benefit calculations and distribution information. All requested information was provided to the IRS agent. The IRS issued a letter to RUSH dated March 30, 2023, indicating that the examination is complete and no changes are being requested. This matter is now closed.

In November 2022, RSH Property Ventures, LLC, a 50/50 real estate joint venture with Select Illinois Holdings, Inc. ("Select"), closed on a \$75.0 million financing with Wintrust Bank, N.A.. The financing consists of a 5-year construction and term loan and is fully guaranteed by the RUSH Obligated Group until certain conditions are met. The loan proceeds will be used to construct a five-story specialty hospital that will house approximately 56 inpatient rehabilitation beds and 44 long-term acute care beds located at 516 S. Loomis Street. The specialty hospital will be operated by a separate joint venture owned 73.5% by Select and 26.5% by Rush Partners, LLC, a wholly owned subsidiary of RUMC.

In January 2023, CVS Accountable Care Organization, Inc., has entered into a collaboration with RUSH to expand access for Medicare patients to RUSH clinical services in the Chicago area. The collaboration is based on the Centers for Medicare & Medicaid Innovation (CMMI) redesigned direct contracting model, ACO Realizing Equity, Access, and Community Health (REACH). The relationship eases access for patients to RUSH at CVS locations across the Chicago area. MinuteClinic locations offer in-person and virtual care seven days a week, with same-day appointments and extended hours.

In January 2023, RUSH is proud to be a part of the Garfield Park Rite to Wellness Collaborative, which was just announced as the winner of the Pritzker Traubert Foundation 2022 Chicago Prize, including a \$10 million award. This is a key step in our work aimed at improving community well-being and elevating life expectancy for residents of West Garfield Park. The collaborative, a group of residents, faith-based organizations, health care institutions, nonprofits and other stakeholders that work and live in Chicago's Garfield Park neighborhood, will use the prize to build a wellness village in the community. It will include the Rush Center for Community Well-Being. Groundbreaking is anticipated by the end of this year.

In January 2023, Lisa Wagamon has been appointed president of Rush Health, a clinically integrated network of more than 2,500 providers. As president of Rush Health, Wagamon will manage Rush University System for Health's clinically integrated network and accountable care organization. She will be responsible for all payor contracting for RUSH and for developing and managing programs that strengthen the quality initiatives and clinical integration between Rush Health's participating members. Additionally, she is charged with leading the development and implementation of RUSH's outreach strategy.

There were no other significant or material transactions outside the ordinary course of business during the twelve months ended June 30, 2023.

Subsequent Events

RUSH has evaluated events occurring subsequent to the consolidated balance sheet date through October 27, 2023, the date the consolidated financial statements were available to be issued. There were no significant subsequent events through this date other than those noted below.

A new Clinical Decision Unit has opened in August 2023 at Rush Copley Medical Center to provide specialized care for patients needing observation. The 15,000-square-foot unit's total cost is \$21 million with \$7.3 million funded by a grant from the State of Illinois' Capital Development Board.

CONSOLIDATED FINANCIAL STATEMENTS

RUSH UNIVERSITY SYSTEM FOR HEALTH

Consolidated Balance Sheet

(Dollars in thousands)

| | Note 1 | |
|---|---------------------|---------------------|
| | Audited | |
| | Jun 30, 2023 | Jun 30, 2022 |
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 439,952 | \$ 519,998 |
| Accounts receivable for patient services | 407,284 | 370,352 |
| Other accounts receivable | 62,664 | 60,906 |
| Self-insurance trust— current portion | 57,209 | 41,257 |
| Other current assets | 151,168 | 129,500 |
| Total current assets | <u>1,118,277</u> | <u>1,122,013</u> |
| ASSETS LIMITED AS TO USE AND INVESTMENTS: | | |
| Investments | 1,375,233 | 1,357,270 |
| Limited as to use by donor or time restriction or other | 759,914 | 700,219 |
| Self-insurance trust— less current portion | 121,836 | 126,857 |
| Total assets limited as to use and investments | <u>2,256,983</u> | <u>2,184,346</u> |
| PROPERTY AND EQUIPMENT—NET | 1,880,229 | 1,692,868 |
| OPERATING LEASE RIGHT-OF-USE ASSETS | 100,237 | 106,929 |
| POSTRETIREMENT AND PENSION BENEFIT ASSETS | 7,195 | 45,582 |
| OTHER NONCURRENT ASSETS | 131,315 | 92,978 |
| TOTAL ASSETS | <u>\$ 5,494,236</u> | <u>\$ 5,244,716</u> |
| LIABILITIES AND NET ASSETS | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 101,119 | \$ 75,470 |
| Accrued expenses | 406,405 | 437,689 |
| Postretirement and pension benefit liabilities | 2,811 | 2,044 |
| Estimated third-party settlements payable and advances payable | 286,348 | 285,026 |
| Current portion of accrued liability under self-insurance programs | 69,229 | 58,941 |
| Current portion of long-term debt | 13,510 | 12,703 |
| Short-term operating lease liability | 26,128 | 24,630 |
| Total current liabilities | <u>905,550</u> | <u>896,503</u> |
| LONG-TERM LIABILITIES: | | |
| Accrued liability under self-insurance programs— less current portion | 313,019 | 272,616 |
| Postretirement and pension benefit liabilities | 2,082 | 96,716 |
| Long-term debt— less current portion | 888,512 | 905,559 |
| Obligations under financing leases and other financing arrangements | 41,899 | 1,509 |
| Long-term operating lease liabilities | 78,471 | 86,025 |
| Other long-term liabilities | 85,227 | 75,858 |
| Total long-term liabilities | <u>1,409,210</u> | <u>1,438,283</u> |
| Total liabilities | <u>2,314,760</u> | <u>2,334,786</u> |
| NET ASSETS: | | |
| Without donor restrictions | 2,118,371 | 1,930,783 |
| With donor restrictions | 1,061,105 | 979,147 |
| Total net assets | <u>3,179,476</u> | <u>2,909,930</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 5,494,236</u> | <u>\$ 5,244,716</u> |

Note 1: The June 30, 2023 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2023 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

RUSH UNIVERSITY SYSTEM FOR HEALTH**Consolidated Statements of Operations***(Dollars in thousands)*

| | Note 1 | |
|---|---------------------|---------------------|
| | Audited | |
| | Jun 30, 2023 | Jun 30, 2022 |
| REVENUE: | | |
| Patient service revenue | \$ 2,916,374 | \$ 2,702,767 |
| Tuition and educational programs revenue | 95,356 | 91,240 |
| Research revenue and net assets released from restriction and used for research and other operations | 194,507 | 170,304 |
| Other revenue | 154,244 | 204,121 |
| | <hr/> | <hr/> |
| Total revenue | 3,360,481 | 3,168,432 |
| | <hr/> | <hr/> |
| EXPENSES: | | |
| Salaries, wages and employee benefits | 1,727,199 | 1,603,325 |
| Supplies, utilities and other | 1,091,348 | 974,480 |
| Insurance | 73,518 | 57,703 |
| Purchased services | 273,046 | 258,523 |
| Depreciation and amortization | 143,248 | 148,188 |
| Interest and fees | 26,964 | 30,609 |
| | <hr/> | <hr/> |
| Total expenses | 3,335,322 | 3,072,828 |
| | <hr/> | <hr/> |
| OPERATING INCOME | 25,158 | 95,604 |
| | <hr/> | <hr/> |
| NON-OPERATING INCOME (LOSS) | | |
| Investment income (loss) and other - net | 93,465 | (138,592) |
| Contributions without donor restrictions | 2,556 | 3,533 |
| Fundraising expenses | (12,437) | (9,343) |
| Change in fair value of interest rate swaps | 3,017 | 7,228 |
| | <hr/> | <hr/> |
| Total non-operating income (loss) | 86,601 | (137,174) |
| | <hr/> | <hr/> |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENSES | \$ 111,760 | \$ (41,570) |
| | <hr/> | <hr/> |

Note 1: The June 30, 2023 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2023 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

(Continued)

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

| | Note 1 | |
|---|---------------------|---------------------|
| | Audited | |
| | Jun 30, 2023 | Jun 30, 2022 |
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | |
| Excess (deficit) of revenues over expenses | \$ 111,760 | \$ (41,570) |
| Net assets released from restrictions used for the purchase of property and equipment | 11,218 | 14,141 |
| Postretirement related changes other than net periodic postretirement cost | 56,408 | (40,342) |
| Other | 8,200 | 17,947 |
| | <u>187,586</u> | <u>(49,824)</u> |
| Increase / (decrease) in net assets without donor restrictions | | |
| NET ASSETS WITH DONOR RESTRICTIONS | | |
| Pledges, contributions and grants | 117,498 | 187,570 |
| Net assets released from restrictions | (111,460) | (176,675) |
| Net realized and unrealized gains (losses) on investments | 75,922 | (47,206) |
| | <u>81,960</u> | <u>(36,311)</u> |
| Increase / (decrease) in net assets with donor restrictions | | |
| Increase / (decrease) in Net Assets | 269,546 | (86,135) |
| NET ASSETS—Beginning of period | <u>2,909,930</u> | <u>2,996,065</u> |
| NET ASSETS—End of period | <u>\$ 3,179,476</u> | <u>\$ 2,909,930</u> |

Note 1: The June 30, 2023 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2023 Audited Consolidated Financial Statements.

See accompanying notes to consolidated financial statements.

(Concluded)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidated Statements of Cash Flows
(Dollars in thousands)

| | Note 1 | |
|---|---------------------|---------------------|
| | Audited | |
| | Jun 30, 2023 | Jun 30, 2022 |
| OPERATING ACTIVITIES: | | |
| Increase / (decrease) in net assets | \$ 269,546 | \$ (86,135) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation and amortization | 143,248 | 148,188 |
| Non-cash operating lease expense | 11 | 618 |
| Postretirement related changes other than net periodic postretirement cost | (56,408) | 40,342 |
| Change in fair value of interest rate swaps | (3,017) | (7,228) |
| Net unrealized and realized (gains) losses on investments | (160,938) | 207,695 |
| Restricted contributions and investment income received | (26,717) | (27,137) |
| Investment (gains) losses on trustee held investments | (1,813) | 6,010 |
| (Gain) Loss on sale of property and equipment | (48) | 5,533 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable for patient services | (36,932) | (6,041) |
| Accounts payable and accrued expenses | (1,369) | (12,234) |
| Estimated third-party settlements payable | 1,322 | (108,884) |
| Pension and postretirement costs | 928 | (16,686) |
| Accrued liability under self-insurance programs | 50,692 | 29,355 |
| Other changes in assets and liabilities | (53,319) | (119,775) |
| Net cash provided by operating activities | <u>125,186</u> | <u>53,621</u> |
| INVESTING ACTIVITIES: | | |
| Additions to property and equipment | (333,564) | (211,682) |
| Purchase of investments | (1,124,899) | (2,834,598) |
| Sale of investments | 1,199,064 | 3,057,953 |
| Net cash (used in) provided by investing activities | <u>(259,399)</u> | <u>11,673</u> |
| FINANCING ACTIVITIES: | | |
| Proceeds from restricted contributions and investment income | 26,717 | 27,137 |
| Payment of long-term debt | (12,703) | (12,181) |
| Payment of obligations on finance lease liabilities | (1,245) | (862) |
| Proceeds (payments) on other financing arrangements | 41,398 | (1,042) |
| Net cash provided by financing activities | <u>54,167</u> | <u>13,052</u> |
| NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS | (80,046) | 78,346 |
| CASH AND CASH EQUIVALENTS—Beginning of period | 519,938 | 441,652 |
| CASH AND CASH EQUIVALENTS—End of period | <u>\$ 439,952</u> | <u>\$ 519,938</u> |
| SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION: | | |
| Right of use assets obtained in exchange for new operating lease liabilities | \$ 21,052 | \$ 2,760 |
| Cash paid for interest | \$ 31,988 | \$ 33,371 |
| Noncash additions to property and equipment | \$ 3,999 | \$ 6,998 |

See notes to consolidated financial statements.

Note 1: The June 30, 2023 financial statement information was derived from and should be read in conjunction with the Rush System for Health 2023 Audited Consolidated Financial Statements. See accompanying notes to consolidated financial statements.

APPENDICES

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Balance Sheet Information
As of June 30, 2023
(Dollars in thousands)

| | RUMC | RCMC | Rush System for Health Parent | Eliminations | Obligated Group Consolidated | Rush Health | Eliminations | Rush System for Health Consolidated |
|---|---------------------|-------------------|----------------------------------|--------------------|---------------------------------|------------------|-------------------|---|
| ASSETS | | | | | | | | |
| CURRENT ASSETS: | | | | | | | | |
| Cash and cash equivalents | \$ 395,608 | \$ 28,717 | \$ - | \$ - | \$ 424,325 | \$ 15,627 | \$ - | \$ 439,952 |
| Accounts receivable for patient services | 332,845 | 74,439 | - | - | 407,284 | - | - | 407,284 |
| Other accounts receivable | 87,540 | - | (22,074) | (6,448) | 59,018 | 3,646 | - | 62,664 |
| Self-insurance trust — current portion | 57,209 | - | - | - | 57,209 | - | - | 57,209 |
| Other current assets | 114,654 | 14,435 | 20,846 | - | 149,935 | 1,233 | - | 151,168 |
| Total current assets | <u>987,856</u> | <u>117,591</u> | <u>(1,228)</u> | <u>(6,448)</u> | <u>1,097,771</u> | <u>20,506</u> | <u>-</u> | <u>1,118,277</u> |
| ASSETS LIMITED AS TO USE AND INVESTMENTS: | | | | | | | | |
| Investments | 1,034,707 | 340,526 | - | - | 1,375,233 | - | - | 1,375,233 |
| Limited as to use by donor or time restriction or other | 736,054 | 23,860 | - | - | 759,914 | - | - | 759,914 |
| Self-insurance trust - less current portion | 121,836 | - | - | - | 121,836 | - | - | 121,836 |
| Total assets limited as to use and investments | <u>1,892,597</u> | <u>364,386</u> | <u>-</u> | <u>-</u> | <u>2,256,983</u> | <u>-</u> | <u>-</u> | <u>2,256,983</u> |
| PROPERTY AND EQUIPMENT—NET | 1,638,818 | 241,087 | - | - | 1,879,905 | 324 | - | 1,880,229 |
| OPERATING LEASE RIGHT-OF-USE ASSETS | 73,000 | 27,237 | - | - | 100,237 | - | - | 100,237 |
| POSTRETIREMENT AND PENSION BENEFIT ASSETS | 7,195 | - | - | - | 7,195 | - | - | 7,195 |
| OTHER NONCURRENT ASSETS | 131,090 | 25,861 | - | (22,194) | 134,757 | 786 | (4,228) | 131,315 |
| TOTAL ASSETS | <u>\$ 4,730,556</u> | <u>\$ 776,162</u> | <u>\$ (1,228)</u> | <u>\$ (28,642)</u> | <u>\$ 5,476,848</u> | <u>\$ 21,616</u> | <u>\$ (4,228)</u> | <u>\$ 5,494,236</u> |
| LIABILITIES AND NET ASSETS | | | | | | | | |
| CURRENT LIABILITIES: | | | | | | | | |
| Accounts payable | \$ 62,630 | \$ 44,819 | \$ - | \$ (6,448) | \$ 101,001 | \$ 118 | \$ - | \$ 101,119 |
| Accrued expenses | 360,818 | 29,345 | 433 | - | 390,596 | 15,809 | - | 406,405 |
| Postretirement and pension benefit liabilities | 2,811 | - | - | - | 2,811 | - | - | 2,811 |
| Estimated third-party settlements and advances payable | 247,069 | 39,279 | - | - | 286,348 | - | - | 286,348 |
| Current portion of accrued liability under self-insurance programs | 63,015 | 6,214 | - | - | 69,229 | - | - | 69,229 |
| Current portion of long-term debt | 10,630 | 2,880 | - | - | 13,510 | - | - | 13,510 |
| Short-term operating lease liability | 19,898 | 6,230 | - | - | 26,128 | - | - | 26,128 |
| Total current liabilities | <u>766,871</u> | <u>128,767</u> | <u>433</u> | <u>(6,448)</u> | <u>889,623</u> | <u>15,927</u> | <u>-</u> | <u>905,550</u> |
| LONG-TERM LIABILITIES: | | | | | | | | |
| Accrued liability under self-insurance programs— less current portion | 297,378 | 15,641 | - | - | 313,019 | - | - | 313,019 |
| Postretirement and pension benefit liabilities | 2,082 | - | - | - | 2,082 | - | - | 2,082 |
| Long-term debt— less current portion | 771,899 | 116,613 | - | - | 888,512 | - | - | 888,512 |
| Obligations under financing leases and other financing arrangements | 41,899 | - | - | - | 41,899 | - | - | 41,899 |
| Long-term operating lease liabilities | 56,648 | 21,823 | - | - | 78,471 | - | - | 78,471 |
| Other long-term liabilities | 79,993 | 4,454 | - | (3,027) | 81,420 | 3,807 | - | 85,227 |
| Total long-term liabilities | <u>1,249,899</u> | <u>158,531</u> | <u>-</u> | <u>(3,027)</u> | <u>1,405,403</u> | <u>3,807</u> | <u>-</u> | <u>1,409,210</u> |
| Total liabilities | <u>2,016,770</u> | <u>287,298</u> | <u>433</u> | <u>(9,475)</u> | <u>2,295,026</u> | <u>19,734</u> | <u>-</u> | <u>2,314,760</u> |
| NET ASSETS: | | | | | | | | |
| Without donor restrictions | 1,675,167 | 466,378 | (1,661) | (19,167) | 2,120,717 | 1,882 | (4,228) | 2,118,371 |
| With donor restrictions | 1,038,619 | 22,486 | - | - | 1,061,105 | - | - | 1,061,105 |
| Total net assets | <u>2,713,786</u> | <u>488,864</u> | <u>(1,661)</u> | <u>(19,167)</u> | <u>3,181,822</u> | <u>1,882</u> | <u>(4,228)</u> | <u>3,179,476</u> |
| TOTAL LIABILITIES AND NET ASSETS | <u>\$ 4,730,556</u> | <u>\$ 776,162</u> | <u>\$ (1,228)</u> | <u>\$ (28,642)</u> | <u>\$ 5,476,848</u> | <u>\$ 21,616</u> | <u>\$ (4,228)</u> | <u>\$ 5,494,236</u> |

(Continued)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Statement of Operations
For fiscal year ended June 30, 2023
(Dollars in thousands)

| | RUMC | RCMC | Rush System for Health Parent | Eliminations | Obligated Group Consolidated | Rush Health | Eliminations | Rush System for Health Consolidated |
|---|------------------|------------------|----------------------------------|------------------|---------------------------------|-------------------|--------------|---|
| REVENUE: | | | | | | | | |
| Patient service revenue | \$ 2,475,544 | \$ 440,830 | \$ - | \$ - | \$ 2,916,374 | \$ - | \$ - | \$ 2,916,374 |
| Tuition and educational programs revenue | 95,356 | - | - | - | 95,356 | - | - | 95,356 |
| Research revenue and net assets released from restriction and used for research and other operations | 194,507 | - | - | - | 194,507 | - | - | 194,507 |
| Other revenue | 135,422 | 14,758 | 109,981 | (112,566) | 147,595 | 6,649 | - | 154,244 |
| Total revenue | 2,900,829 | 455,588 | 109,981 | (112,566) | 3,353,832 | 6,649 | - | 3,360,481 |
| EXPENSES: | | | | | | | | |
| Salaries, wages and employee benefits | 1,470,532 | 245,811 | 49,123 | (49,122) | 1,716,344 | 10,855 | - | 1,727,199 |
| Supplies, utilities and other | 971,089 | 118,063 | 48,370 | (50,955) | 1,086,567 | 4,781 | - | 1,091,348 |
| Insurance | 68,294 | 5,084 | - | - | 73,378 | 140 | - | 73,518 |
| Purchased services | 210,977 | 59,472 | 14,232 | (12,489) | 272,192 | 853 | - | 273,046 |
| Depreciation and amortization | 121,256 | 21,572 | - | - | 142,829 | 419 | - | 143,248 |
| Interest and fees | 23,285 | 3,679 | - | - | 26,964 | - | - | 26,964 |
| Total expenses | 2,865,433 | 453,682 | 111,725 | (112,566) | 3,318,274 | 17,048 | - | 3,335,322 |
| OPERATING INCOME (LOSS) | 35,396 | 1,906 | (1,744) | 0 | 35,558 | (10,399) | - | 25,159 |
| NON-OPERATING INCOME (LOSS) | | | | | | | | |
| Investment income and other - net | 58,451 | 34,531 | - | - | 92,982 | 483 | - | 93,465 |
| Contributions without donor restrictions | 2,556 | - | - | - | 2,556 | - | - | 2,556 |
| Fundraising expenses | (12,437) | - | - | - | (12,437) | - | - | (12,437) |
| Change in fair value of interest rate swaps | 1,254 | 1,763 | - | - | 3,017 | - | - | 3,017 |
| Total non-operating income | 49,824 | 36,294 | - | - | 86,118 | 483 | - | 86,601 |
| EXCESS (DEFICIT) OF REVENUES OVER EXPENSES | \$ 85,220 | \$ 38,200 | \$ (1,744) | \$ 0 | \$ 121,676 | \$ (9,916) | \$ - | \$ 111,760 |

(Continued)

RUSH UNIVERSITY SYSTEM FOR HEALTH
Consolidating Statement of Changes in Net Assets Information
For fiscal year ended June 30, 2023
(Dollars in thousands)

| | RUMC | RCMC | Rush System for Health Parent | Eliminations | Obligated Group Consolidated | Rush Health | Eliminations | Rush System for Health Consolidated |
|--|--------------|------------|----------------------------------|--------------|---------------------------------|-------------|--------------|---|
| NET ASSETS WITHOUT DONOR RESTRICTIONS | | | | | | | | |
| Excess of revenues over expenses | \$ 85,220 | \$ 38,200 | \$ (1,744) | \$ 0 | \$ 121,676 | \$ (9,916) | \$ - | \$ 111,760 |
| Net assets released from restrictions used for the purchase of property and equipment | 11,218 | - | - | - | 11,218 | - | - | 11,218 |
| Postretirement related changes other than net periodic postretirement cos | 56,408 | - | - | - | 56,408 | - | - | 56,408 |
| Other | 8,072 | (1) | - | - | 8,071 | (1) | 130 | 8,200 |
| Increase / (decrease) in net assets without donor restrictions | 160,918 | 38,199 | (1,744) | 0 | 197,373 | (9,917) | 130 | 187,586 |
| NET ASSETS WITH DONOR RESTRICTIONS | | | | | | | | |
| Pledges, contributions and grants | 110,921 | 6,577 | - | - | 117,498 | - | - | 117,498 |
| Net assets released from restrictions | (109,932) | (1,528) | - | - | (111,460) | - | - | (111,460) |
| Net realized and unrealized gains on investments | 74,228 | 1,694 | - | - | 75,922 | - | - | 75,922 |
| Increase in net assets with donor restrictions | 75,217 | 6,743 | - | - | 81,960 | - | - | 81,960 |
| INCREASE / (DECREASE) IN NET ASSETS | 236,135 | 44,942 | (1,744) | 0 | 279,333 | (9,917) | 130 | 269,546 |
| NET ASSETS—Beginning of year | 2,477,651 | 443,922 | 83 | (19,167) | 2,902,489 | 11,799 | (4,358) | 2,909,930 |
| NET ASSETS—End of year | \$ 2,713,786 | \$ 488,864 | \$ (1,661) | \$ (19,167) | \$ 3,181,822 | \$ 1,882 | \$ (4,228) | \$ 3,179,476 |

(Concluded)

Financial Results Compared to Budget for the Fiscal Year Ended June 30, 2023

The RUSH Parent Board is required to set the RUSH strategic plan and annual budget as well as approve the strategic plans, annual operating budgets, and the financial and capital priorities for RUMC and RCMC. The budget remains in effect the entire fiscal year. An actual to budget comparison and analysis is presented monthly in the financial statements, and the information for the fiscal year ended June 30, 2023 is presented below for the Obligated Group.

Summary of Statement of Operations - Obligated Group

| <i>(In thousands)</i> | Fiscal Year Ended Jun 30, 2023 | |
|--|---|---------------|
| | Actual | Budget |
| Patient service revenue | \$ 2,916,374 | \$ 2,864,741 |
| Other operating revenue | 437,458 | 403,044 |
| Total operating revenue | 3,353,832 | 3,267,785 |
| Salaries, wages and employee benefits | 1,716,344 | 1,692,676 |
| Supplies, utilities and other | 1,086,567 | 1,005,452 |
| Professional liability and other insurance | 73,378 | 78,590 |
| Purchased services | 272,192 | 271,066 |
| Depreciation and amortization | 142,829 | 155,017 |
| Interest | 26,964 | 30,141 |
| Total operating expenses | 3,318,274 | 3,232,943 |
| Operating income | 35,558 | 34,842 |
| Non-operating income | 86,118 | 61,404 |
| Excess of revenue over expenses | \$ 121,676 | \$ 96,246 |

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 Obligated Group.

(Dollars in Thousands)

I. MAXIMUM ANNUAL DEBT SERVICE COVERAGE RATIO:

| | | |
|---|--------------------|---------------------|
| Net income, excluding net gains and losses on sales [1] | \$ | 40,458 |
| Add: Depreciation expense | | 142,829 |
| Add: Interest expense | | 26,964 |
| Revenues available for debt service | \$ | 210,251 |
| Maximum annual debt service | \$ | 63,793 |
| <u>Revenues available for debt service</u> | <u>\$</u> | <u>210,251</u> |
| <u>Maximum annual debt service</u> | <u>\$</u> | <u>63,793</u> |
| Ratio exceeds 1.20 | (please check) | <u>X</u> |

II. DAYS CASH ON HAND:

| | | |
|--|--------------------|------------------------|
| Unrestricted cash and cash equivalents | \$ | 424,325 |
| Add: Unrestricted marketable securities | | 1,375,233 |
| Unrestricted cash and marketable securities | \$ | 1,799,559 |
| Number of days in period | | 365 |
| Unrestricted cash and marketable securities x 365 | \$ | 656,838,943 |
| Total operating expenses | | 3,318,274 |
| Less: Depreciation expense | | (142,829) |
| Total operating expenses - depreciation expense | \$ | 3,175,443 |
| <u>Unrestricted cash and marketable securities x 365</u> | <u>\$</u> | <u>656,838,943</u> |
| <u>Total operating expenses - depreciation expense</u> | <u>\$</u> | <u>3,175,443</u> |
| Days exceed 65 | (please check) | <u>X</u> |

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

(Dollars in Thousands)

III. HISTORICAL DEBT SERVICE COVERAGE RATIO:

| | | | |
|---|----------------|----------------|-----------------|
| Net income, excluding net gains and losses on sales [1] | \$ | 40,458 | |
| Add: Depreciation expense | | 142,829 | |
| Add: Interest expense | | 26,964 | |
| Revenues available for debt service | \$ | <u>210,251</u> | |
| | | | |
| Payments of debt | \$ | 13,948 | |
| Add: Interest expense | | 26,964 | |
| Annual debt service | \$ | <u>40,912</u> | |
| | | | |
| Revenues available for debt service | \$ | 210,251 | 5.14 |
| Annual debt service | \$ | 40,912 | |
| | | | |
| Ratio exceeds 1.10 | (please check) | | <u>X</u> |

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

The following is a list of the RUSH University System for Health Board of Directors:

| <u>Name</u> | <u>Year Elected</u> | <u>Business Affiliation</u> |
|-----------------------|---------------------|---|
| Susan Crown, Chairman | 2017 | Owl Creek Partners, LLP (Chairman & CEO) |
| Peter C. B. Bynoe | 2017 | DLA Piper LLP (US) (Senior Advisor) |
| Cati Cederoth | 2017 | Huron Consulting Group (Director) |
| E. David Coolidge | 2017 | William Blair & Co., LLC (Vice Chairman) |
| Bruce W. Dienst | 2017 | Simpson Technologies Corp. (President & CEO) |
| William A. Downe | 2017 | BMO Financial Group (Retired CEO) |
| Christine A. Edwards | 2017 | Winston Strawn (Retired Partner) |
| William M. Goodyear | 2017 | Navigant Consulting (Retired Executive Chairman) |
| Sandra P. Guthman | 2017 | Polk Bros. Foundation (Chairman) |
| Jay L. Henderson | 2017 | PricewaterhouseCoopers LLP (Retired Vice Chairman, client services) |
| Mark C. Metzger | 2017 | The Law Offices of Mark C. Metzger |
| Stephen N. Potter | 2020 | Northern Trust Corporation (Retired Vice Chairman) |
| Robert A. Wislow | 2021 | Parkside Realty (Founder/Partner) |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2023:

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>% Board Certified</u> | <u>Average Age</u> |
|---|-----------------------------------|---------------------------------|---------------------------|
| Addiction Medicine | 1 | 100% | 62 |
| Addiction Psychiatry | 1 | 100% | 49 |
| Advanced Heart Failure and Trans Cardio | 2 | 100% | 48 |
| Allergy & Immunology | 8 | 88% | 48 |
| Anesthesiology | 48 | 83% | 48 |
| Cardiovascular Disease | 18 | 93% | 48 |
| Child and Adolescent Psychiatry | 5 | 100% | 48 |
| Clinical Cardiac Electrophysiology | 6 | 100% | 48 |
| Clinical Genetics and Genomics | 2 | 100% | 48 |
| Clinical Informatics | 1 | 100% | 42 |
| Colon and Rectal Surgery | 4 | 75% | 48 |
| Complex General Surgical Oncology | 2 | 100% | 48 |
| Congenital Cardiac Surgery | 2 | 100% | 48 |
| Critical Care Medicine | 3 | 67% | 48 |
| Dermatology | 16 | 88% | 48 |
| Developmental-Behavioral Pediatrics | 3 | 67% | 48 |
| Diagnostic Radiology | 36 | 86% | 48 |
| Emergency Medicine | 43 | 93% | 48 |
| Endocrinology, Diabetes and Metabolism | 7 | 90% | 48 |
| Epilepsy | 2 | 100% | 49 |
| Family Medicine | 5 | 100% | 49 |
| Family Medicine (PCP) | 35 | 100% | 49 |
| Female Pelvic Medicine and Recons Surgery | 5 | 83% | 49 |
| Foot and Ankle Surgery | 5 | 40% | 49 |
| Foot Surgery | 2 | 100% | 49 |
| Gastroenterology | 17 | 88% | 49 |
| Geriatric Medicine | 1 | 100% | 52 |
| Geriatric (PCP) | 6 | 80% | 47 |
| Gynecologic Oncology | 3 | 100% | 49 |
| Gynecology | 1 | 100% | 59 |
| Hematology | 7 | 71% | 49 |
| Hospice and Palliative Medicine | 11 | 91% | 49 |
| Infectious Disease | 22 | 100% | 49 |
| Internal Medicine | 56 | 95% | 49 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2023 (continued):

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>% Board Certified</u> | <u>Average Age</u> |
|---|-----------------------------------|---------------------------------|---------------------------|
| Internal Medicine (PCP) | 70 | 96% | 52 |
| Internal Medicine/Pediatrics | 4 | 100% | 43 |
| Interventional Cardiology | 18 | 89% | 51 |
| Interventional Radiology and Diag Radio | 6 | 100% | 45 |
| Maternal-Fetal Medicine | 7 | 83% | 53 |
| Medical Oncology | 18 | 94% | 52 |
| Micrographic Dermatologic Surgery | 2 | 100% | 48 |
| Neonatal-Perinatal Medicine | 22 | 77% | 45 |
| Nephrology | 10 | 90% | 54 |
| Neurocritical Care | 2 | 50% | 38 |
| Neurological Surgery | 18 | 100% | 54 |
| Neurology | 49 | 100% | 48 |
| Neurology with Special Qualifications Child | 7 | 100% | 56 |
| Neuropathology | 1 | 100% | 60 |
| Neuroradiology | 8 | 75% | 48 |
| Obstetrics and Gynecology | 36 | 89% | 44 |
| Occupational Medicine | 4 | 100% | 65 |
| Ophthalmology | 44 | 98% | 50 |
| Oral and Maxillofacial Surgery | 3 | 100% | 46 |
| Orthodontics | 1 | 100% | 40 |
| Orthopaedic Sports Medicine | 7 | 57% | 48 |
| Orthopaedic Surgery | 26 | 88% | 51 |
| Otolaryngology - Head and Neck Surgery | 14 | 93% | 46 |
| Pain Medicine | 1 | 100% | 35 |
| Pathology- Anatomic | 3 | 100% | 57 |
| Pathology-Anatomic/Pathology-Clinical | 13 | 100% | 54 |
| Pathology-Clinical | 1 | 100% | 73 |
| Pediatric Cardiology | 12 | 92% | 46 |
| Pediatric Critical Care Medicine | 8 | 100% | 43 |
| Pediatric Endocrinology | 4 | 100% | 48 |
| Pediatric Gastroenterology | 3 | 100% | 51 |
| Pediatric Hematology-Oncology | 7 | 100% | 52 |
| Pediatric Hospital Medicine | 2 | 100% | 42 |
| Pediatric Infectious Diseases | 5 | 100% | 50 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush University Medical Center as of June 30, 2023 (continued):

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>% Board Certified</u> | <u>Average Age</u> |
|--|-----------------------------------|---------------------------------|---------------------------|
| Pediatric Nephrology | 5 | 100% | 42 |
| Pediatric Otolaryngology | 1 | 100% | 35 |
| Pediatric Pulmonology | 2 | 100% | 55 |
| Pediatric Rehabilitation Medicine | 1 | 100% | 43 |
| Pediatric Rheumatology | 1 | 100% | 37 |
| Pediatric Surgery | 4 | 100% | 47 |
| Pediatric Urology | 1 | 100% | 62 |
| Pediatrics | 2 | 100% | 37 |
| Pediatrics (PCP) | 20 | 95% | 47 |
| Physical Medicine and Rehabilitation | 19 | 89% | 45 |
| Plastic Surgery | 13 | 69% | 49 |
| Podiatric Medicine | 1 | 100% | 69 |
| Psychiatry | 28 | 100% | 54 |
| Pulmonary Disease | 19 | 100% | 45 |
| Radiation Oncology | 7 | 67% | 41 |
| Reproductive Endocrinology/Infertility | 3 | 67% | 58 |
| Rheumatology | 19 | 100% | 52 |
| Sleep Medicine | 6 | 83% | 47 |
| Sports Medicine | 7 | 100% | 42 |
| Surgery | 22 | 91% | 51 |
| Surgery of the Hand | 5 | 80% | 47 |
| Surgical Critical Care | 4 | 100% | 49 |
| Thoracic and Cardiac Surgery | 21 | 91% | 54 |
| Transplant Hepatology | 7 | 71% | 47 |
| Urology | 10 | 70% | 54 |
| Vascular Neurology | 1 | 100% | 39 |
| Vascular Surgery | 5 | 100% | 48 |
| Total/Average | 1,056 | 92% | 49 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush Copley Medical Center as of June 30, 2023:

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>Average Age</u> |
|-------------------------------|-----------------------------------|---------------------------|
| Allergy/Immunology | 3 | 53 |
| Anesthesia | 10 | 47 |
| Cardiology | 13 | 46 |
| Critical Care | 7 | 45 |
| Dermatology | 4 | 54 |
| Emergency Medicine | 29 | 40 |
| Endocrinology | 3 | 49 |
| Family Practice | 36 | 48 |
| Gastroenterology | 6 | 52 |
| Gynecologic Oncology | 2 | 47 |
| Gynecology | 2 | 69 |
| Hematology/Oncology | 4 | 53 |
| Hospitalist | 6 | 42 |
| Infectious Disease | 3 | 55 |
| Internal Medicine | 30 | 47 |
| Maternal Fetal Medicine | 6 | 49 |
| Neonatology | 8 | 43 |
| Nephrology | 9 | 57 |
| Neurological Surgery | 4 | 49 |
| Neurology | 11 | 50 |
| OB/Gyn | 18 | 49 |
| Ophthalmology | 5 | 63 |
| Otolaryngology | 6 | 43 |
| Pathology | 5 | 63 |
| Pediatric Anesthesiology | 2 | 47 |
| Pediatric Cardiology | 3 | 45 |
| Pediatric Endocrinology | 2 | 42 |
| Pediatric Gastroenterology | 1 | 40 |
| Pediatric Genetics | 1 | 62 |
| Pediatric Hematology/Oncology | 1 | 60 |
| Pediatric Neurology | 5 | 57 |
| Pediatric Ophthalmology | 2 | 58 |
| Pediatric Pulmonology | 2 | 41 |
| Pediatric Radiology | 31 | 48 |
| Pediatric Surgery | 2 | 50 |
| Pediatric Urology | 1 | 63 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush Copley Medical Center as of June 30, 2023 (continued):

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>Average Age</u> |
|------------------------------------|-----------------------------------|---------------------------|
| Pediatrics | 17 | 47 |
| Physical Medicine & Rehabilitation | 9 | 46 |
| Psychiatry | 1 | 39 |
| Pulmonary Medicine | 5 | 53 |
| Radiation Oncology | 2 | 41 |
| Radiology | 47 | 45 |
| Radiology (Diagnostic) | 17 | 41 |
| Reproductive Endocrinology | 3 | 48 |
| Spine Surgery | 1 | |
| Surgery (Bariatric) | 3 | 46 |
| Surgery (Cardiothoracic) | 12 | 51 |
| Surgery (General) | 11 | 55 |
| Surgery (Vascular) | 4 | 51 |
| Surgery (Orthopedic) | 8 | 51 |
| Surgery (Pediatric) | 2 | 49 |
| Surgery (Plastic) | 3 | 40 |
| Surgery (Podiatric) | 15 | 49 |
| Surgery (Thoracic) | 4 | 46 |
| Teleneurology | 8 | 48 |
| Urogynecology | 3 | 53 |
| Urology | 2 | 43 |
| Total/Average | 460 | 48 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2023:

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>% Board Certified</u> | <u>Average Age</u> |
|---|----------------------------|--------------------------|--------------------|
| Addiction Psychiatry | 1 | 100% | 48 |
| Advanced Heart Failure and Transplant Cardiology | 2 | 100% | 42 |
| Allergy & Immunology | 8 | 100% | 47 |
| Anesthesiology | 18 | 83% | 52 |
| Cardiovascular Disease | 18 | 100% | 47 |
| Clinical Cardiac Electrophysiology | 5 | 100% | 49 |
| Colon and Rectal Surgery | 4 | 75% | 45 |
| Complex General Surgical Oncology | 2 | 100% | 42 |
| Critical Care Medicine | 2 | 100% | 45 |
| Dentistry | 1 | 0% | 68 |
| Dermatology | 4 | 100% | 53 |
| Diagnostic Radiology | 37 | 86% | 48 |
| Emergency Medicine | 36 | 89% | 43 |
| Endocrinology, Diabetes and Metabolism | 5 | 100% | 45 |
| Epilepsy | 2 | 100% | 42 |
| Family Medicine | 30 | 87% | 51 |
| Female Pelvic Medicine and Reconstructive Surgery | 5 | 80% | 43 |
| Foot and Ankle Surgery | 9 | 44% | 61 |
| Foot Surgery | 8 | 75% | 44 |
| Gastroenterology | 18 | 89% | 48 |
| Geriatric Medicine | 2 | 100% | 57 |
| Gynecologic Oncology | 2 | 100% | 47 |
| Hematology | 5 | 60% | 56 |
| Infectious Disease | 15 | 100% | 52 |
| Internal Medicine | 31 | 94% | 50 |
| Interventional Radiology and Diagnostic Radiology | 7 | 86% | 47 |
| Interventional Cardiology | 9 | 89% | 54 |
| Medical Oncology | 11 | 91% | 48 |
| Nephrology | 9 | 100% | 53 |
| Neurology | 19 | 100% | 47 |
| Neurology with Special Qualifications in Child | | | |
| Neurology | 1 | 100% | 57 |
| Neuroradiology | 8 | 75% | 47 |
| Obstetrics and Gynecology | 19 | 79% | 41 |
| Occupational Medicine | 1 | 100% | 48 |
| Ophthalmology | 13 | 92% | 56 |
| Oral and Maxillofacial Surgery | 1 | 100% | 53 |
| Orthopaedic Sports Medicine | 8 | 50% | 47 |
| Orthopaedic Surgery | 12 | 83% | 51 |
| Otolaryngology - Head and Neck Surgery | 5 | 100% | 49 |

Medical Staff

The following table represents information relating to the composition of the Medical Staff of Rush Oak Park Hospital as of June 30, 2023 (continued):

| <u>Specialty</u> | <u>Total Medical Staff</u> | <u>% Board Certified</u> | <u>Average Age</u> |
|--|----------------------------|--------------------------|--------------------|
| Pain Medicine | 1 | 100% | 35 |
| Pathology | 12 | 100% | 51 |
| Pediatric Cardiology | 2 | 100% | 47 |
| Pediatrics | 1 | 100% | 66 |
| Physical Medicine and Rehabilitation | 11 | 91% | 42 |
| Plastic Surgery | 12 | 67% | 43 |
| Psychiatry | 8 | 100% | 47 |
| Pulmonary Disease | 15 | 100% | 45 |
| Radiation Oncology | 7 | 71% | 41 |
| Reproductive Endocrinology/Infertility | 1 | 0% | 34 |
| Rheumatology | 5 | 100% | 43 |
| Sleep Medicine | 4 | 75% | 51 |
| Sports Medicine | 4 | 100% | 45 |
| Surgery | 25 | 88% | 51 |
| Surgery of the Hand | 5 | 80% | 47 |
| Surgical Critical Care | 3 | 100% | 44 |
| Thoracic and Cardiac Surgery | 5 | 100% | 45 |
| Transplant Hepatology | 8 | 75% | 50 |
| Urology | 13 | 77% | 52 |
| Vascular Neurology | 1 | 100% | 39 |
| Vascular Surgery | 6 | 83% | 51 |
| Total/Average | 542 | 88% | 48 |