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302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

July 30, 2014

Board of Directors
Rush Memorial Hospital
P.O. Box 608
1300 N. Main Street
Rushville, IN 46173

We have reviewed the audit report prepared by Blue & Co., LLC, Independent Public Accountants, for the period January 1, 2013 to December 31, 2013. In our opinion, the audit report was prepared in accordance with the guidelines established by the State Board of Accounts. Per the Independent Public Accountants' opinion, the financial statements included in the report present fairly the financial condition of the Rush Memorial Hospital, as of December 31, 2013 and the results of its operations for the period then ended, on the basis of accounting described in the report.

The Independent Public Accountants' report is filed with this letter in our office as a matter of public record.

STATE BOARD OF ACCOUNTS



CONSOLIDATED FINANCIAL STATEMENTS

AND

SUPPLEMENTARY INFORMATION

DECEMBER 31, 2013 AND 2012

CPAs / ADVISORS



RUSH MEMORIAL HOSPITAL

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Blue & Co., LLC / One American Square, Suite 2200 / Box 82062 / Indianapolis, IN 46282
main 317.633.4705 fax 317.633.4889 email blue@blueandco.com

REPORT OF INDEPENDENT AUDITORS

Board of Trustees
Rush Memorial Hospital
Rushville, Indiana

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Rush Memorial Hospital (the Hospital) which comprise the consolidated balance sheets as of December 31, 2013 and 2012, and the related consolidated statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the Guidelines for Audits of County and City Hospitals by Independent Certified Public Accountants, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Hospital as of December 31, 2013 and 2012, and its results of operations, changes in net position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic consolidated financial statements. Such information, although not a part of the basic consolidated financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic consolidated financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic consolidated financial statements, and other knowledge we obtained during our audit of the basic consolidated financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the accompanying table of contents is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, changes in net position and cash flows of the individual entities, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Blue & Co., LLC

Indianapolis, Indiana
July 28, 2014

REQUIRED SUPPLEMENTARY INFORMATION

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

This section of Rush Memorial Hospital's (the Hospital) annual consolidated financial statements presents background information and management's discussion and analysis (MD&A) of the Hospital's consolidated financial performance during the year ended December 31, 2013. This MD&A does include a discussion and analysis of the activities and results of the Hospital's blended component unit, Rush Memorial Hospital Foundation, Inc. Please read it in conjunction with the Hospital's consolidated financial statements that follow this MD&A.

FINANCIAL HIGHLIGHTS

- The Hospital's net position increased approximately \$1,662,000 or 13% in 2013 compared to \$1,489,000 or 13% in 2012.
- The Hospital reported an operating loss of approximately \$188,000 for 2013, representing a decrease of approximately \$957,000 in comparison to the year 2012 results. Operating income for 2012 of approximately \$769,000 was approximately \$946,000 more than 2011.
- The Hospital's investment in facilities and equipment increased in 2013 by adding approximately \$2,795,000 in gross property and equipment. The Hospital disposed of capital assets with a net book value of approximately \$296,000 during the year. These items combined with depreciation expense of approximately \$1,208,000 resulted in net capital assets increasing approximately \$1,291,000 from the prior year.
- The Hospital's cash and investments increased approximately \$3,710,000 as a result of operations and noncapital financing.
- During 2012, the Hospital entered into agreements to lease the operations of multiple long-term care facilities. Long-term care services generated approximately \$13,976,000 and \$5,605,000 in patient service revenue during 2013 and 2012, respectively.

USING THIS ANNUAL REPORT

The Hospital's consolidated financial statements consist of three statements – a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Position; and a Statement of Cash Flows. These consolidated financial statements and related notes provide information about the activities and the financial position of the Hospital.

The Consolidated Balance Sheet includes all of the Hospital's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Hospital creditors (liabilities).

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

All of the current year's revenue earned, expenses incurred and changes in net position are accounted for in the Consolidated Statement of Revenues, Expenses and Changes in Net Position.

Finally, the Consolidated Statement of Cash Flows' purpose is to provide information about the Hospital's cash flows from operating activities, financing activities including capital additions, and investing activities. This statement provides information on the sources and uses of cash and the change in cash balance during the year.

THE CONSOLIDATED BALANCE SHEET AND STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

One of the most important questions asked about the Hospital's finances is, "Is the Hospital as a whole better or worse off as a result of the year's activities?" The consolidated balance sheet and the consolidated statement of revenues, expenses and changes in net position report information about the Hospital's resources and its activities in a way that helps answer this question. These statements include all restricted and unrestricted assets and all liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Hospital's net position and changes in it. Think of the Hospital's net position, the difference between assets and liabilities, as one way to measure the Hospital's financial health, or financial position. Over time, increases or decreases in the Hospital's net position are one indicator of whether its financial health is improving or deteriorating. Consider other nonfinancial factors, however, such as changes in the Hospital's patient base and measures of the quality of service it provides to the community, as well as local economic factors to assess the overall health of the Hospital.

Table 1: Consolidated Balance Sheets

The significant change in the Hospital's assets was in current assets which increased approximately \$3,645,000 in 2013 compared to \$5,012,000 2012 as a result of additional cash, receivables and related items associated with long-term care services. Assets whose use is limited increased approximately \$1,702,000 in 2013 compared to approximately \$34,000 in 2012. Capital assets increased approximately \$1,291,000 compared to approximately \$599,000 in 2012 based on the Hospital's capital additions.

Current liabilities increased by approximately \$5,410,000 in 2013 and approximately \$3,764,000 in 2012 mainly related to the long-term care activities and line of credit activity. Long-term debt decreased approximately \$601,000 in 2013 due to principal payments of existing debt and increased approximately \$324,000 in 2012 as the

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

Hospital had entered into new borrowings which exceeded the current year principal payments on existing debt.

Net position increased approximately \$1,662,000 2013 and \$1,489,000 in 2012. The increase relates to favorable operating income, contributions and investment return.

Total assets in 2012 increased approximately \$5,577,000 compared to 2011. The increase was primarily in current assets such as cash, investments and patient accounts receivable. Total liabilities increased \$4,088,000 between 2011 and 2012 mainly due to accounts payable related to long-term care services. Net position increased \$1,489,000 between 2011 and 2012 based on overall operations.

	2013	2012	2013-2012 Change	2011	2012-2011 Change
Assets					
Cash and investments	\$ 6,919,175	\$ 3,209,636	\$ 3,709,539	\$ 2,162,246	\$ 1,047,390
Patient accounts receivable, net	5,952,137	6,688,612	(736,475)	4,099,744	2,588,868
Other current assets	2,843,349	2,171,747	671,602	795,537	1,376,210
Assets whose use is limited	3,156,715	1,454,604	1,702,111	1,420,031	34,573
Capital assets	11,252,698	9,961,846	1,290,852	9,363,240	598,606
Other assets	87,448	253,870	(166,422)	322,394	(68,524)
Total assets	\$ 30,211,522	\$ 23,740,315	\$ 6,471,207	\$ 18,163,192	\$ 5,577,123
Liabilities					
Current liabilities	\$ 13,252,841	\$ 7,843,045	\$ 5,409,796	\$ 4,079,432	\$ 3,763,613
Long-term debt	2,698,137	3,298,728	(600,591)	2,974,523	324,205
Total liabilities	15,950,978	11,141,773	4,809,205	7,053,955	4,087,818
Net position					
Invested in capital assets, net of related debt	4,649,335	6,082,945	(1,433,610)	5,930,371	152,574
Restricted	2,838,516	1,171,814	1,666,702	1,161,154	10,660
Unrestricted	6,772,693	5,343,783	1,428,910	4,017,712	1,326,071
Total net position	14,260,544	12,598,542	1,662,002	11,109,237	1,489,305
Total liabilities and net position	\$ 30,211,522	\$ 23,740,315	\$ 6,471,207	\$ 18,163,192	\$ 5,577,123

Table 2: Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Hospital's performance in 2013 and 2012 was solid with a return on equity of 12% in both years compared to a negative 1% in 2011.

Total revenues increased approximately \$8,491,000 and \$7,592,000 in 2013 and 2012, respectively, as utilization in inpatient and outpatient services increased. Long-term care services revenue was approximately \$13,976,000 in 2013 and \$5,605,000 in 2012.

Expenses increased by approximately \$9,448,000 and \$6,646,000 2013 and 2012, respectively, as purchased services and other expenses related to long-term care services comprised the majority of the current year increase.

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

Nonoperating revenue (expense), net increased by approximately \$1,130,000 and \$700,000 in 2013 and 2012, respectively, due to contributions, investment income and other nonoperating revenue. Interest expense was approximately \$204,000 in 2013 compared to approximately \$188,000 from 2012. Nonoperating revenue (expense) was \$20,000 in 2011 due to lower contributions.

	2013	2012	2013-2012 Change	2011	2012-2011 Change
Revenues					
Net patient service revenue	\$ 36,172,011	\$ 27,451,560	\$ 8,720,451	\$ 19,751,221	\$ 7,700,339
Other operating revenue	893,799	1,123,284	(229,485)	1,231,831	(108,547)
Total revenue	37,065,810	28,574,844	8,490,966	20,983,052	7,591,792
Expenses					
Salary and benefits	13,727,803	12,722,163	1,005,640	12,861,307	(139,144)
Purchased services and medical fees	10,963,666	5,941,557	5,022,109	2,745,112	3,196,445
Medical and other supplies	3,699,812	3,226,260	473,552	2,699,529	526,731
Depreciation	1,208,261	1,205,292	2,969	1,282,530	(77,238)
Other expenses	7,654,255	4,710,236	2,944,019	1,571,123	3,139,113
Total operating expenses	37,253,797	27,805,508	9,448,289	21,159,601	6,645,907
Operating income (loss)	(187,987)	769,336	(957,323)	(176,549)	945,885
Non-operating revenue (expense), net	1,849,989	719,969	1,130,020	20,104	699,865
Change in net position	\$ 1,662,002	\$ 1,489,305	\$ 172,697	\$ (156,445)	\$ 1,645,750

CONSOLIDATED STATEMENTS OF CASH FLOWS

The final required statement is the statement of cash flows. The statement reports cash receipts, cash payments, and net changes in cash resulting from operations, investing, and financing activities. It provides answers to such questions as "Where did cash come from?" "What was cash used for?" and "What was the change in cash balance during the reporting period?"

	2013	2012	2013-2012 Change	2011	2012-2011 Change
Cash flow from activities					
Operating	\$ 3,336,312	\$ 2,386,924	\$ 949,388	\$ 579,324	\$ 1,807,600
Noncapital financing	2,027,116	135,279	1,891,837	196,249	(60,970)
Capital and related financing	(161,729)	(1,641,481)	1,479,752	(1,858,350)	216,869
Investing	348,111	398,936	(50,825)	672,100	(273,164)
Change in cash equivalents	\$ 5,549,810	\$ 1,279,658	\$ 4,270,152	\$ (410,677)	\$ 1,690,335

Total cash and cash equivalents increased approximately \$5,550,000 in 2013. Operating activities generated cash and cash equivalents of \$3,336,000 during 2013 mainly from operations. Noncapital financing provided \$2,027,000 of cash and cash equivalents due to contributions. Capital and related financing decreased cash and cash equivalents by \$162,000 during 2013 mainly as the result of debt service payments. Investing activities increased cash and cash equivalents by \$348,000 due to investment activity during the year.

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

Total cash and cash equivalents increased approximately \$1,280,000 in 2012. Operating activities generated cash and cash equivalents of \$2,387,000 during 2012 mainly from operations. Noncapital financing provided \$135,000 of cash and cash equivalents. Capital and related financing decreased cash and cash equivalents by \$1,641,000 during 2012 mainly as the result of expenditures for property and equipment additions and debt service payments. Investing activities increased cash and cash equivalents by \$399,000 due to investment activity and the classification of investments to cash equivalents during the year.

Cash equivalents decreased by \$411,000 in 2011 as capital and related financing used cash of \$1,858,000 while other categories provided cash equivalents of \$1,447,000.

SOURCES OF REVENUE

During 2013, the Hospital derived substantially all of its revenue from patient service and other related activities. A significant portion of the patient service revenue is from patients that are insured by government health programs, principally Medicare and Medicaid, which are highly regulated and subject to frequent and substantial changes. Revenues from the Medicare and Medicaid programs represented 61% of the Hospital's gross revenues in 2013 but only 40% of the Hospital's net patient service revenue. Following is a table of major sources of gross patient revenues for 2013 and 2012:

<u>Payor Mix</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Medicare	48%	47%	45%
Medicaid	13%	14%	16%
Blue Cross/Anthem	16%	16%	17%
Commercial insurance	14%	13%	13%
Self-pay	9%	10%	9%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>

The Hospital entered into agreements with third-party payers, including government programs and managed care health plans, under which payments for healthcare services provided to patients are based upon predetermined rates or discounts from gross charges. Provisions have been made in the consolidated financial statements for contractual adjustments, which represent the difference between the standard charges for services and the actual or estimated payment.

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

CAPITAL ASSETS

During 2013, the Hospital's capital assets increased approximately \$1,291,000 net of asset disposals and depreciation compared to \$599,000 in 2012. The change in capital assets is outlined in the following table:

	2013	2012	2013-2012 Change	2011	2012-2011 Change
Land and improvements	\$ 507,141	\$ 452,435	\$ 54,706	\$ 400,776	\$ 51,659
Buildings and improvements	13,994,177	12,971,018	1,023,159	12,046,901	924,117
Equipment	12,161,246	11,363,413	797,833	11,558,478	(195,065)
Construction in progress	950,871	401,276	549,595	618,150	(216,874)
Total capital assets	27,613,435	25,188,142	2,425,293	24,624,305	563,837
Accumulated depreciation	16,360,737	15,226,296	1,134,441	15,261,065	(34,769)
Capital assets, net	<u>\$ 11,252,698</u>	<u>\$ 9,961,846</u>	<u>\$ 1,290,852</u>	<u>\$ 9,363,240</u>	<u>\$ 598,606</u>

The Hospital continues to increase equipment resources to meet the needs of the community. The Hospital strives to replace equipment as it becomes obsolete as well as upgrade equipment as needed.

DEBT

Total long-term debt (including current portion) decreased from \$3,879,000 to \$3,291,000 in 2013 based on no new borrowings and principal payments of approximately \$587,000. During 2013, the Hospital did borrow \$3,312,000 on the line of credit to finance property additions. More detailed information about the Hospital's long-term debt is presented in the Notes to the Consolidated Financial Statements.

ECONOMIC OUTLOOK

Management believes that the health care industry's and the Hospital's operating margins will continue to be under pressure because of changes in payor mix and growth in operating expenses that are in excess of the increases in contractually arranged and legally established payments received for services rendered. Another factor that poses a challenge to management is the increasing competitive market for the delivery of health care services. The ongoing challenge facing the Hospital is to continue to provide quality patient care in this competitive environment, and to attain reasonable rates for the services that are provided while managing costs. The most significant cost factor affecting the Hospital is the increases in labor costs due to the increasing competition for quality health care workers.

RUSH MEMORIAL HOSPITAL

MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED) DECEMBER 31, 2013 AND 2012

CONTACTING THE HOSPITAL'S FINANCIAL MANAGEMENT

This financial report is designed to provide our patients, suppliers, taxpayers, and creditors with a general overview of the Hospital's finances and to show the Hospital's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Hospital Controller's Office, PO Box 125, Rushville, IN, 46173.

RUSH MEMORIAL HOSPITAL

CONSOLIDATED BALANCE SHEETS DECEMBER 31, 2013 AND 2012

ASSETS		
	<u>2013</u>	<u>2012</u>
Current assets		
Cash and cash equivalents	\$ 6,835,700	\$ 3,086,647
Investments	83,475	122,989
Patient accounts receivable, net of allowance for uncollectible accounts of \$1,597,000 in 2013 and \$1,561,000 in 2012	5,952,137	6,688,612
Other current assets	<u>2,843,349</u>	<u>2,171,747</u>
Total current assets	15,714,661	12,069,995
Assets whose use is limited		
Internally designated	318,199	282,790
Donor restricted	<u>2,838,516</u>	<u>1,171,814</u>
Total assets whose use is limited	3,156,715	1,454,604
Capital assets		
Land	188,708	164,978
Depreciable capital assets, net	<u>11,063,990</u>	<u>9,796,868</u>
Total capital assets, net	11,252,698	9,961,846
Other assets	<u>87,448</u>	<u>253,870</u>
Total assets	<u><u>\$ 30,211,522</u></u>	<u><u>\$ 23,740,315</u></u>
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable and accrued expenses	\$ 7,024,917	\$ 5,373,530
Accrued wages and related liabilities	1,314,992	1,226,056
Lines of credit	3,311,935	-0-
Current portion of long-term debt	593,291	580,173
Estimated third-party settlements	<u>1,007,706</u>	<u>663,286</u>
Total current liabilities	13,252,841	7,843,045
Long term debt, net of current portion	<u>2,698,137</u>	<u>3,298,728</u>
Total liabilities	15,950,978	11,141,773
Net position		
Invested in capital assets, net of related debt	4,649,335	6,082,945
Restricted		
Expendable for various purposes upon donors' specific restriction	1,616,995	-0-
Nonexpendable donor restricted	<u>1,221,521</u>	<u>1,171,814</u>
Total restricted net position	2,838,516	1,171,814
Unrestricted	<u>6,772,693</u>	<u>5,343,783</u>
Total net position	<u>14,260,544</u>	<u>12,598,542</u>
Total liabilities and net position	<u><u>\$ 30,211,522</u></u>	<u><u>\$ 23,740,315</u></u>

See accompanying notes to consolidated financial statements.

RUSH MEMORIAL HOSPITAL

CONSOLIDATED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Revenues		
Net patient service revenue	\$ 36,172,011	\$ 27,451,560
Other operating revenue	893,799	1,123,284
Total revenues	37,065,810	28,574,844
Expenses		
Salaries and wages	11,668,056	10,725,281
Employee benefits	2,059,747	1,996,882
Medical professional fees	2,283,272	1,978,363
Purchased services	8,680,394	3,963,194
Medical supplies and drugs	3,295,989	2,834,826
Other supplies	403,823	391,434
Food	209,153	210,499
Facility and equipment leases	2,351,454	923,983
HAF Program	1,217,741	1,035,411
Depreciation	1,208,261	1,205,292
Insurance	765,534	438,740
Repairs and maintenance	514,007	472,080
Utilities	755,583	487,578
Other expenses	1,840,783	1,141,945
Total expenses	37,253,797	27,805,508
Operating income (loss)	(187,987)	769,336
Nonoperating revenues (expenses)		
Investment income	215,849	185,853
Interest expense	(204,323)	(188,068)
Contributions	2,140,116	841,610
Other nonoperating revenue (expense)	(301,653)	(119,426)
Nonoperating revenues (expenses), net	1,849,989	719,969
Change in net position	1,662,002	1,489,305
Net position		
Beginning of year	12,598,542	11,109,237
End of year	\$ 14,260,544	\$ 12,598,542

See accompanying notes to consolidated financial statements.

RUSH MEMORIAL HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
Operating activities		
Cash received from patient services	\$ 36,035,165	\$ 24,290,567
Cash paid for salaries, wages and benefits	(13,638,867)	(12,691,325)
Cash paid to vendors and suppliers	(19,953,785)	(10,335,602)
Other receipts, net	893,799	1,123,284
Net cash flows from operating activities	3,336,312	2,386,924
Noncapital financing activities		
Contributions	2,027,116	135,279
Capital and related financing activities		
Proceeds from borrowings on long-term debt	-0-	940,000
Payments on long-term debt	(587,473)	(493,968)
Interest payments on long-term debt	(204,323)	(188,068)
Borrowings (payments) on line of credit, net	3,311,935	(667,064)
Purchase of capital assets	(2,681,868)	(1,232,381)
Net cash flows from capital and related financing activities	(161,729)	(1,641,481)
Investing activities		
Investment income	215,849	185,853
Other nonoperating revenue (expense)	(301,653)	(119,426)
Proceeds from sale of investments	810,594	427,977
Purchase of investments	(376,679)	(95,468)
Net cash flows from investing activities	348,111	398,936
Net change in cash and cash equivalents	5,549,810	1,279,658
Cash and cash equivalents		
Beginning of year	3,091,455	1,811,797
End of year	<u>\$ 8,641,265</u>	<u>\$ 3,091,455</u>
Reconciliation of cash and cash equivalents to the balance sheets		
In current assets		
Cash and cash equivalents	\$ 6,835,700	\$ 3,086,647
In investments	7,836	-0-
In assets whose use is limited	1,797,729	4,808
Total cash and cash equivalents	<u>\$ 8,641,265</u>	<u>\$ 3,091,455</u>

See accompanying notes to consolidated financial statements.

RUSH MEMORIAL HOSPITAL

CONSOLIDATED STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ (187,987)	\$ 769,336
Adjustments to reconcile operating income (loss) to net cash flows from operating activities		
Depreciation	1,208,261	1,205,292
Provision for bad debts	3,588,587	4,772,133
Changes in operating assets and liabilities		
Patient accounts receivable	(2,852,112)	(7,361,001)
Other current assets	(671,602)	(1,376,210)
Other assets	166,422	68,524
Accounts payable and accrued expenses	1,651,387	3,814,726
Accrued wages and related liabilities	88,936	30,838
Estimated third-party settlements	344,420	463,286
Net cash from operating activities	<u>\$ 3,336,312</u>	<u>\$ 2,386,924</u>
Noncash capital and noncapital financing activities		
Contribution of property	\$ 113,000	\$ 582,000

See accompanying notes to consolidated financial statements.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

1. SIGNIFICANT ACCOUNTING POLICIES

Organization and Reporting Entity

Rush Memorial Hospital (Hospital) is a county owned facility operating under the Indiana County Hospital Law, Indiana Code (IC) 16-22. The Hospital provides inpatient, outpatient, emergency care as well as long-term care. The Board of County Commissioners of Rush County appoints the Governing Board of the Hospital and a financial benefit/burden relationship exists between Rush County (the County) and the Hospital. For these reasons, the Hospital is considered a component unit of the County.

The consolidated financial statements of Hospital are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the County that is attributable to the transactions of the Hospital and its blended component unit. They do not purport to, and do not, present fairly the financial position of the County as of December 31, 2013 and 2012, the changes in its financial position or its cash flows for the years then ended.

Accounting principles generally accepted in the United States of America require the consolidated financial statements present the Hospital and its blended component unit, collectively referred to as "primary government". The component unit discussed in these consolidated financial statements is included in the Hospital's reporting entity because of the significance of its operational or financial relationship with the Hospital. A blended component unit, although a legally separate entity, is in substance part of the primary government unit of operations and exists solely to provide services to the Hospital.

Basis of Consolidation

The accompanying consolidated financial statements include the accounts of the Hospital's blended component unit, Rush Memorial Hospital Foundation, Inc. (the Foundation), a separate not-for-profit entity organized to support the operations of the Hospital. All significant transactions between the entities have been eliminated for financial reporting purposes.

Accounting Standards

In 2013, the Hospital adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. The adoption of these GASB statements did not have an impact on previously reported net position or change in net position.

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Long-Term Care Operations

Pursuant to the provision of long-term care, the Hospital owns the operations of numerous long-term care facilities by way of an arrangement with the Managers of the facilities. These facilities provide inpatient and therapy services. Generally, gross revenues from the operation of the facilities are the property of the Hospital and the Hospital is responsible for the associated operating expenses and working capital requirements. While the management and related lease agreements are in effect, the performance of all activities of the managers shall be on behalf of the Hospital and the Hospital retains the authority and legal responsibility for the operation of the facilities.

The Hospital entered into lease agreements with the long-term care facilities, collectively referred to as the Lessors, to lease the facilities managed by the Managers. Concurrently, the Hospital entered into agreements with the Managers to manage the above leased facilities. As part of the agreements, the Hospital pays the Managers a management fee to continue managing the facilities on behalf of the Hospital in accordance with the terms of the agreements. These management fees consist of base management fees, subordinated management fees, and quarterly incentive payments. The agreements expire at various times through August 2015. The terms of these agreements may be renewed at the end of each term for an additional period of two years. All parties involved can terminate the agreement without cause with 90 days written notice.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United State of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Enterprise Fund Accounting

The Hospital utilizes the enterprise fund method of accounting whereby revenue and expenses are recognized on the accrual basis of accounting. Substantially all revenues and expenses are subject to accrual.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Cash and Cash Equivalents

Cash and cash equivalents include all cash held in checking, savings and money market accounts available for operating purposes with original maturity dates of 90 days or less. The Hospital maintains its cash in accounts, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on cash and cash equivalents.

Investments

Investments consist of money market and mutual funds which are reported at fair value.

Patient Accounts Receivable and Net Patient Service Revenue

Patient revenues and the related accounts receivable are recorded at the time services to patients are performed. The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients. The difference between computed reimbursement and interim reimbursement is reflected as a receivable from or payable to the third-party program. These programs have audited the year-end cost report filed with the Medicare program through December 31, 2011 with differences reflected as deductions from revenue in the year the cost report is settled. Amounts for unresolved cost reports for 2012 and 2013 are reflected in estimated third-party settlements on the consolidated balance sheets. During 2013 and 2012, the Hospital recognized an increase of approximately \$35,000 and a decrease of \$102,000, respectively, in net patient service revenue in the consolidated statements of revenues, expenses and changes in net position due to the differences between original estimates and subsequent revisions for the final settlement of cost reports. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. Although these audits may result in some changes in these amounts, they are not expected to have a material effect on the accompanying consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

The Hospital has entered into agreements with certain commercial carriers. Reimbursement for services under these agreements includes discounts from established charges and other payment methodologies. Patient charges under these programs, on which no interim payments have been received, are included in patient accounts receivable at the estimated net realizable value of such charges.

Management estimates an allowance for uncollectible patient accounts receivable based on an evaluation of historical losses, current economic conditions, and other factors unique to the Hospital's customer base.

Charity Care

The Hospital provides care without charge or at amounts less than its established rates to patients who meet certain criteria under its charity care policy. Because the Hospital does not collect amounts deemed to be charity care, they are not reported as revenue. The Hospital maintains records to identify and monitor the level of charity care it provides. These records include the amount of services and supplies furnished under its charity care policy. The charity care charges provided during 2013 and 2012 were approximately \$787,000 and \$585,000, respectively.

Of the Hospital's total expenses reported (approximately \$37,458,000, including interest expense, in 2013 and \$27,994,000, including interest expense, in 2012), an estimated \$358,000 and \$250,000 arose from providing services to charity patients during 2013 and 2012, respectively. The estimated costs of providing charity services are based on a calculation which applies a ratio of costs to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Hospital's total expenses including interest expense to gross patient service revenue.

Electronic Health Records (EHR) Incentive Payments

The Hospital receives EHR incentive payments under the Medicare and Medicaid programs. To qualify for the EHR incentive payments, the Hospital must meet "meaningful use" criteria that become more stringent over time. The Hospital periodically submits and attests to its use of certified EHR technology, satisfaction of meaningful use objectives, and various patient data. These submissions generally include performance measures for each annual EHR reporting period (Federal fiscal year ending September 30). The related EHR incentive payments are paid out over a four year transition schedule and are based upon data that is captured in the Hospital's cost reports. For Critical Access Hospitals, the payment calculation is based upon the net book value of the qualifying assets multiplied by the Medicare utilization using Medicare to total inpatient days plus 20%, not to exceed 100%. The total days are multiplied by a factor of total charges excluding charity care to total charges. Critical Access Hospitals can be reimbursed over a four year period for

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

additional qualifying assets not claimed in the first year. The transitional factor ranges from 100% in the first payment year and decreases by 25% each payment year until it is completely phased out in the fifth year.

The Hospital recognizes EHR incentive payments as grant income when there is reasonable assurance that the Hospital will comply with the conditions of the meaningful use objectives and any other specific grant requirements. In addition, the consolidated financial statement effects of the grants must be both recognizable and measurable. During 2013 and 2012, the Hospital recognized approximately \$339,000 and \$213,000, respectively, in EHR incentive payments as grant income using the ratable recognition method. Under the ratable recognition method, the Hospital recognizes income ratably over the entire EHR reporting period when it is reasonably assured at the outset of the EHR reporting period that it will comply with the minimum requirements of the program.

EHR incentive income is included in other operating revenue in the consolidated statements of revenues, expenses and changes in net position. EHR incentive income recognized is based on management's estimate and amounts are subject to change, with such changes impacting operations in the period the changes occur.

Receipt of these funds is subject to the fulfillment of certain obligations by the Hospital as prescribed by the program, subject to future audits and may be subject to repayment upon a determination of noncompliance.

Other Current Assets

Other current assets include inventories which are valued at the lower of cost or market with cost being determined on the first-in, first-out (FIFO) method. Inventories consist of the following:

	2013	2012
Medical supplies and other	\$ 416,634	\$ 377,584
Pharmaceutical	295,818	289,402
	<u>\$ 712,452</u>	<u>\$ 666,986</u>

Also included in other current assets are prepaid expenses, other receivables and various other current items related to long-term care operations. These assets are classified as current as they are expected to be utilized during 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets Whose Use is Limited

Assets whose use is limited are stated at fair value in the consolidated financial statements. These assets include investments designated by the Hospital Board for internal purposes such as funded depreciation and investments restricted by donors. These investments consist primarily of cash and cash equivalents, common stocks, mutual funds and beneficial interest in perpetual trusts. Investment income, to the extent not capitalized, is reported as nonoperating revenue in the consolidated statements of revenues, expenses and changes in net position.

Capital Assets and Depreciation

Capital assets such as property and equipment are stated at cost and include expenditures for new additions and other costs added to existing facilities which exceed the Hospital's capitalization threshold and which substantially increase the useful lives of existing facilities. Maintenance, repairs and minor renewals are expensed as incurred.

The Hospital provides for depreciation of property and equipment using annual rates, which are sufficient to depreciate the cost of depreciable assets over their estimated useful lives using the straight-line method.

The range of useful lives in computing depreciation is as follows:

<u>Description</u>	<u>Range of Useful Lives</u>
Land improvements	5-25 years
Buildings and improvements	5-40 years
Equipment	3-10 years

Net Position

Net position of the Hospital is classified in four components. (1) Invested in capital assets net of related debt consist of capital assets net of accumulated depreciation and reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. (2) Restricted expendable net position includes assets that must be used for a particular purpose, as specified by creditors, grantors, or contributors external to the Hospital. (3) Restricted nonexpendable donor restricted includes net position restricted by the donor through beneficial interests in perpetual trusts. (4) Unrestricted includes remaining net position that does not meet the definition of invested in capital assets net of related debt or restricted.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Consolidated Statements of Revenues, Expenses and Changes in Net Position

The Hospital's consolidated statements of revenues, expenses and changes in net position distinguish between operating and nonoperating revenues and expenses. Operating revenues result from exchange transactions associated with providing health care services which is the Hospital's principal activity. Contributions and investment income are reported as nonoperating revenues. Operating expenses are all expenses incurred to provide health care services, excluding interest costs.

Federal or State Income Taxes

The Hospital is a governmental instrumentality organized under Title 16, Article 12, of the Indiana statutes. The Hospital is generally exempt from federal income tax under Section 115 of the Internal Revenue Code (IRC) of 1986. As a governmental entity under Section 115 of the IRC, the Hospital is not required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only.

The Foundation is organized as a not-for-profit organization under Section 501(c)(3) of the United States IRC. As such, the Foundation is generally exempt from income taxes. However, the Foundation is required to file Federal Form 990 – Return of Organization Exempt from Income Tax which is an informational return only. The Foundation has filed its federal and state income tax returns for periods through December 31, 2012. These income tax returns are generally open to examination by the relevant taxing authorities for a period of three years from the later of the date the return was filed or its due date (including approved extensions).

Accounting principles generally accepted in the United States of America require management to evaluate tax positions taken by the Hospital and Foundation and recognize a tax liability if these organizations have taken an uncertain position that more likely than not would not be sustained upon examination by various federal and state taxing authorities. Management has analyzed the tax positions taken by these organizations, and has concluded that as of December 31, 2013 and 2012, there are no uncertain positions taken or expected to be taken that would require recognition of a liability or disclosure in the accompanying consolidated financial statements. The Foundation is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Advertising and Community Relations

The Hospital records advertising and community relations expense in the period incurred. Total expense for advertising and community relations was approximately \$101,000 and \$65,000 for 2013 and 2012, respectively.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Compensated Absences

The Hospital's employees earn time off at varying rates depending on years of service under separate policies for sick, vacation and personal leaves. The estimated amount of unused time off is reported as a liability in the consolidated financial statements.

Reclassifications

Certain amounts from the 2012 consolidated financial statements have been reclassified to conform to the current year presentation. The reclassifications have no effect on previously reported net position or change in net position.

Litigation

The Hospital is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that these matters will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Risk Management

The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice; and employee health, dental, and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters.

The Hospital is involved in litigation arising in the normal course of business. After consultation with legal counsel, management estimates that any matters will be resolved without material adverse effect on the Hospital's future financial position, results from operations or cash flows.

Subsequent Events

The Hospital evaluates events or transactions occurring subsequent to consolidated balance sheet date for recognition and disclosure in the accompanying consolidated financial statements through the date the consolidated financial statements are issued which is July 28, 2014.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

2. INVESTMENTS

Investments consist of money market and mutual funds reported at fair value. The following represents investments as of December 31, 2013 and 2012:

	2013	2012
Investments		
Money market funds	\$ 7,836	\$ -0-
Mutual funds	75,639	122,989
	<u>\$ 83,475</u>	<u>\$ 122,989</u>

3. BENEFICIAL INTERESTS IN PERPETUAL TRUSTS

The Hospital is the beneficiary under two perpetual trusts held by third parties, the corpuses of which are not controlled by the management of the Hospital. Although the Hospital has no control over the administration or investment of the funds held in these trusts, the estimated fair value of the Hospital's interest in these trusts is recognized as a contribution in the period in which the Hospital receives notice that the trust agreements convey an unconditional right to receive benefits. The Hospital's interest in these perpetual trusts is reported at fair value, which is estimated as the Hospital's portion of the fair market value of the assets in the trusts. Under the terms of the perpetual trusts, the Hospital receives its portion of interest and dividends earned on the corpuses, which is included as unrestricted investment income in the consolidated statements of revenues, expenses and changes in net assets. Changes in the value of the trust assets are recorded as investment income in the consolidated statements revenues, expenses and changes in net position and increased net position by approximately \$78,000 and \$86,000 in 2013 and 2012, respectively.

4. ASSETS WHOSE USE IS LIMITED

Assets whose use is limited include:

Internally designated – Amounts transferred by the Hospital's Board of Trustees through funding depreciation expense. Such amounts are to be used for debt service, equipment and building, remodeling, repairing, replacing or making additions to the Hospital's buildings as authorized by IC 16-22-3-13.

Donor restricted - Amounts restricted by donor as to use of assets and includes beneficial interests in perpetual trusts.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets whose use is limited consist of the following as of December 31, 2013 and 2012:

	2013	2012
Assets whose use is limited		
Internally designated		
Cash and cash equivalents	\$ 180,734	\$ 4,808
Common stocks	10,740	9,198
Mutual funds	126,725	268,784
Total internally designated	318,199	282,790
Donor restricted		
Cash and cash equivalents	1,616,995	-0-
Beneficial interests in perpetual trusts	1,221,521	1,171,814
Total donor restricted	2,838,516	1,171,814
Total assets limited as to use	<u>\$ 3,156,715</u>	<u>\$ 1,454,604</u>

5. DEPOSITS AND INVESTMENTS

Deposits with financial institutions in the State of Indiana at year end were entirely insured by the Federal Deposit Insurance Corporation or by the Indiana Deposit Insurance Fund. This includes any deposit accounts issued or offered by a qualifying financial institution.

Investments are carried at fair market value. Net realized gains and losses on security transactions are determined on the specific identification cost basis.

As of December 31, 2013 and 2012, the Hospital had the following investments and maturities, all of which were held in the Hospital's name by custodial banks that are agents of the Hospital:

		December 31, 2013				
		Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10	
Common stocks	\$ 10,740	\$ 10,740	\$ -0-	\$ -0-	\$ -0-	
Mutual funds	202,364	202,364	-0-	-0-	-0-	
	<u>\$ 213,104</u>	<u>\$ 213,104</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	
		December 31, 2012				
		Investment Maturities (in years)				
	Carrying Amount	Less than 1	1-5	6-10	More than 10	
Common stocks	\$ 9,198	\$ 9,198	\$ -0-	\$ -0-	\$ -0-	
Mutual funds	391,773	391,773	-0-	-0-	-0-	
	<u>\$ 400,971</u>	<u>\$ 400,971</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	

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Credit risk - Statutes authorize the Hospital to invest in interest bearing deposit accounts, passbook savings accounts, certificates of deposit, money market accounts, mutual funds, pooled fund investments, securities backed by the full faith and credit of the United States Treasury and repurchase agreements. The statutes require that repurchase agreements be fully collateralized by U.S. Government or U.S. Government Agency obligations.

Concentration of credit risk - The Hospital maintains its investments, which at times may exceed federally insured limits. The Hospital has not experienced any losses in such accounts. The Hospital believes that it is not exposed to any significant credit risk on investments.

Deposits and investments consist of the following as of December 31, 2013 and 2012:

	2013	2012
Carrying amount		
Deposits	\$ 8,641,265	\$ 3,091,455
Investments	213,104	400,971
	<u>\$ 8,854,369</u>	<u>\$ 3,492,426</u>
Included in the balance sheet captions		
Cash and cash equivalents	\$ 6,835,700	\$ 3,086,647
Investments	83,475	122,989
Assets whose use is limited		
Internally designated	318,199	282,790
Donor restricted	1,616,995	-0-
	<u>\$ 8,854,369</u>	<u>\$ 3,492,426</u>

6. FAIR VALUE MEASUREMENTS

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3).

The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Hospital has the ability to access.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2013 and 2012:

- *Money market funds*: Valued based at the subscription and redemption activity at a \$1 stable net asset value (NAV). However, on a daily basis, the funds are valued at their NAV calculated using the amortized cost of securities.
- *Common stocks*: Valued at the closing price reported on the active market on which the individual securities are traded.
- *Mutual funds*: Valued at the daily closing price as reported by the fund. Mutual funds held by the Hospital are open-end mutual funds that are registered with the Securities and Exchange Commission. These funds are required to publish their daily NAV and to transact at that price. The mutual funds held by the Hospital are deemed to be actively traded.
- *Beneficial interests in perpetual trusts*: Valued at fair value as reported by the trustees, which represents the Hospital's pro rata interest in the net assets of the trusts, substantially all of which are valued on a mark-to-market basis.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Assets and liabilities measured at fair value on a recurring basis as of December 31, 2013 and 2012 are as follows:

		December 31, 2013			
		Total	Level 1	Level 2	Level 3
Assets					
Investments					
Cash and cash equivalents					
Money market funds	\$	7,836	\$ -0-	\$ 7,836	\$ -0-
Mutual funds					
Large growth		42,271	42,271	-0-	-0-
Moderate allocation		33,368	33,368	-0-	-0-
Total mutual funds		75,639	75,639	-0-	-0-
Total investments	\$	83,475	\$ 75,639	\$ 7,836	\$ -0-
Assets whose use is limited					
Cash and cash equivalents					
Money market funds	\$	1,797,729	\$ -0-	\$ 1,797,729	\$ -0-
Common stocks		10,740	10,740	-0-	-0-
Mutual funds					
Large growth		35,249	35,249	-0-	-0-
Income		75,385	75,385	-0-	-0-
Total return		16,091	16,091	-0-	-0-
Total mutual funds		126,725	126,725	-0-	-0-
Beneficial interests in perpetual trusts		1,221,521	-0-	-0-	1,221,521
Total assets whose use is limited	\$	3,156,715	\$ 137,465	\$ 1,797,729	\$ 1,221,521
		December 31, 2012			
		Total	Level 1	Level 2	Level 3
Assets					
Investments					
Mutual funds					
Large growth	\$	64,716	\$ 64,716	\$ -0-	\$ -0-
Moderate allocation		35,016	35,016	-0-	-0-
High-yield		23,257	23,257	-0-	-0-
Total investments	\$	122,989	\$ 122,989	\$ -0-	\$ -0-
Assets whose use is limited					
Cash and cash equivalents					
Money market funds	\$	4,808	\$ -0-	\$ 4,808	\$ -0-
Common stocks		9,198	9,198	-0-	-0-
Mutual funds					
Large growth		47,545	47,545	-0-	-0-
Income		194,949	194,949	-0-	-0-
Total return		26,290	26,290	-0-	-0-
Total mutual funds		268,784	268,784	-0-	-0-
Beneficial interests in perpetual trusts		1,171,814	-0-	-0-	1,171,814
Total assets whose use is limited	\$	1,454,604	\$ 277,982	\$ 4,808	\$ 1,171,814

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The following is a reconciliation of activity for 2013 and 2012 for level 3 assets:

	2013	2012
Balance, beginning of year	\$ 1,171,814	\$ 1,121,160
Realized gain	4,681	1,025
Unrealized gain	73,115	84,694
Purchases	(483,450)	(56,646)
Sales	473,983	38,504
Settlements	(18,622)	(16,923)
Balance, end of year	<u>\$ 1,221,521</u>	<u>\$ 1,171,814</u>

The Hospital's policy is to recognize transfers between levels as of the end of the reporting period. There were no transfers during 2013 and 2012.

Realized gains of approximately \$5,000 and \$2,000 for 2013 and 2012, respectively, are included in earnings and are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment income. Gains of approximately \$73,000 and \$85,000 included in earnings for 2013 and 2012 are attributable to the change in unrealized gains relating to assets held as of December 31, 2013 and 2012, respectively, and are reported in the consolidated statements of revenues, expenses and changes in net position as a component of investment income.

The Hospital holds investments which are exposed to various risks such as interest rate, market, and credit. Due to the level of risk associated with these securities and the level of uncertainty related to changes in the value, it is at least reasonably possible that changes in the various risk factors will occur in the near term that could materially affect the amounts reported in the accompanying consolidated financial statements.

Cash and cash equivalents, accounts payable, line-of-credit, accrued expenses, accrued wages and related liabilities and estimated third-party settlements: The carrying amount reported in the consolidated balance sheets for cash and cash equivalents, accounts payable, accrued expenses, accrued wages and related liabilities and estimated third-party settlements approximate fair value based on their short-term maturity.

Long-term debt: Fair value of the Hospital's fixed rate notes payable is estimated using discounted cash flows based on current fixed rates available to similar entities with similar credit ratings. As of December 31, 2013 and 2012, the carrying value of the fixed rate long-term debt approximated fair value.

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7. CAPITAL ASSETS

Progressions for capital assets for 2013 and 2012 follow:

	December 31, 2012	Additions	Retirements	Transfers	December 31, 2013
Land	\$ 164,978	\$ 23,730	\$ -0-	\$ -0-	\$ 188,708
Land improvements	287,457	26,415	-0-	4,561	318,433
Buildings and improvements	12,971,018	332,112	(302,500)	993,547	13,994,177
Equipment	11,363,413	649,505	(67,075)	215,403	12,161,246
Construction in progress	401,276	1,763,106	-0-	(1,213,511)	950,871
Total capital assets	25,188,142	2,794,868	(369,575)	-0-	27,613,435
Accumulated depreciation					
Land improvements	202,270	19,632	-0-	-0-	221,902
Buildings and improvements	6,473,820	395,036	(6,745)	-0-	6,862,111
Equipment	8,550,206	793,593	(67,075)	-0-	9,276,724
Total accumulated depreciation	15,226,296	1,208,261	(73,820)	-0-	16,360,737
Capital assets, net	\$ 9,961,846	\$ 1,586,607	\$ (295,755)	\$ -0-	\$ 11,252,698

	December 31, 2011	Additions	Retirements	Transfers	December 31, 2012
Land	164,978	\$ -0-	\$ -0-	\$ -0-	\$ 164,978
Land improvements	235,798	34,549	-0-	17,110	287,457
Buildings and improvements	12,046,901	588,239	-0-	335,878	12,971,018
Equipment	11,558,478	522,043	(1,250,544)	533,436	11,363,413
Construction in progress	618,150	669,550	-0-	(886,424)	401,276
Total capital assets	24,624,305	1,814,381	(1,250,544)	-0-	25,188,142
Less accumulated depreciation:					
Land improvements	184,638	17,632	-0-	-0-	202,270
Buildings and improvements	6,109,150	364,670	-0-	-0-	6,473,820
Equipment	8,967,277	822,990	(1,240,061)	-0-	8,550,206
Total accumulated depreciation	15,261,065	1,205,292	(1,240,061)	-0-	15,226,296
Capital assets, net	\$ 9,363,240	\$ 609,089	\$ (10,483)	\$ -0-	\$ 9,961,846

Outstanding commitments on capital assets as of December 31, 2013 were approximately \$1,000,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

8. DEBT

The following is a summary of the Hospital's debt as of December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Note payable to financial institution dated July 7, 2005, monthly interest payments at fixed rate of 4.523%, principal payments scheduled to begin October 2015 with maturity June 2030, secured by property and equipment with a net book value of \$2,030,000 and \$2,107,000 as of December 31, 2013 and 2012, respectively.	\$ 1,875,000	\$ 1,875,000
Note payable to financial institution dated July 7, 2005, monthly principal and interest payments at fixed rate of 6.690%, with maturity June 2030, secured by property and equipment with a net book value of \$2,030,000 and \$2,107,000 as of December 31, 2013 and 2012, respectively.	148,030	231,634
Note payable to financial institution dated February 27, 2012, monthly principal and interest payments at variable rate of prime plus .25% (3.500% as of December 31, 2013) with maturity February 2017, secured by real property with a net book value of \$500,000 and \$552,000 as of December 31, 2013 and 2012, respectively.	370,485	409,218
Note payable to financial institution dated June 1, 2012, monthly principal and interest payments at variable rate of prime plus .25% (3.208% as of December 31, 2013) with maturity December 2017, secured by equipment with a net book value of \$300,000 and \$320,000 as of December 31, 2013 and 2012, respectively.	406,520	500,000
Various note payables to financial institutions with monthly principal and interest payments at fixed rates ranging from 3.500% to 4.779% with maturity dates through February 2015, secured by equipment with a net book value of \$600,000 and \$863,000 as of December 31, 2013 and 2012, respectively.	491,393	863,049
	3,291,428	3,878,901
Less current portion	593,291	580,173
	<u>\$ 2,698,137</u>	<u>\$ 3,298,728</u>

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Progressions for long-term debt for 2013 and 2012 include the following:

	December 31, 2012	Additional Borrowings	Payments	December 31, 2013	Current Portion
Notes payable	<u>\$ 3,878,901</u>	<u>\$ -0-</u>	<u>\$ (587,473)</u>	<u>\$ 3,291,428</u>	<u>\$ 593,291</u>

	December 31, 2011	Additional Borrowings	Payments	December 31, 2012	Current Portion
Notes payable	<u>\$ 3,432,869</u>	<u>\$ 940,000</u>	<u>\$ (493,968)</u>	<u>\$ 3,878,901</u>	<u>\$ 580,173</u>

Aggregate maturities of long-term debt are as follows:

Years Ending December 31,	Principal	Interest	Total
2014	\$ 593,291	\$ 130,194	\$ 723,485
2015	323,563	109,324	432,887
2016	261,158	98,256	359,414
2017	449,303	81,988	531,291
2018	100,984	74,206	175,190
2019-2023	580,234	295,894	876,128
2024-2028	729,461	146,489	875,950
2029-2030	253,434	9,297	262,731
	<u>\$ 3,291,428</u>	<u>\$ 945,648</u>	<u>\$ 4,237,076</u>

The Hospital has a line of credit available with a local financial institution with a maximum amount of \$3,500,000. The line of credit is at a variable rate of interest at the prime rate with a floor of 3.75% (3.75% as of December 31, 2013). The Hospital had approximately \$2,457,000 and \$-0- outstanding on the line of credit as of December 31, 2013 and 2012, respectively. The line of credit expires in June 2015 and is collateralized by a security interest in the Hospital's general assets.

The Hospital has a line of credit available with a local financial institution with a maximum amount of \$1,950,000. The line of credit is at a fixed rate of interest of 2.49%. The Hospital had approximately \$855,000 and \$-0- outstanding on the line of credit as of December 31, 2013 and 2012, respectively. The line of credit expires in September 2014 and is collateralized by a security interest in the Hospital's assets. The Hospital expects to execute a promissory note to replace the line of credit once the project is complete and placed into service.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

9. NET PATIENT SERVICE REVENUE

The Hospital has agreements with third-party payors that provide for reimbursement to the Hospital at amounts different from its established rates. Estimated contractual adjustments under third-party reimbursement programs represent the difference between the Hospital's billings at standard rates and amounts reimbursed by third-party payors. They also include any differences between estimated third-party reimbursement settlements for prior years and subsequent final settlements. A summary of the reimbursement arrangements with major third-party payors is as follows:

Medicare

The Hospital is a provider of services to patients entitled to coverage under Titles XVIII and XIX of the Health Insurance Act (Medicare and Medicaid). The Hospital was granted Critical Access Status by Medicare and is paid for Medicare services based upon a cost reimbursement methodology. The Hospital is reimbursed for cost reimbursable items at an interim rate, with final settlement determined after submission of annual cost reports. Differences between the total program billed charges and the payments received are reflected as deductions from revenue. At the Hospital's year-end, a cost report is filed with the Medicare program computing reimbursement amounts related to Medicare patients.

Medicaid and the Hospital Assessment Fee Program

The Hospital is reimbursed for Medicaid inpatient services under a prospectively determined rate-per-discharge and is not subject to retroactive adjustment. The differences between standard charges and reimbursement from these programs are recorded as contractual adjustments. Reimbursement for Medicaid outpatient services is based on predetermined rates, and is not subject to retroactive cost based settlements.

During 2012, Hospital Assessment Fee (HAF) Program was approved by Centers for Medicare & Medicaid Services (CMS) for the period July 1, 2011 through June 30, 2013. The purpose of the HAF Program is to fund the State share of enhanced Medicaid payments and Medicaid Disproportionate Share (DSH) payments for Indiana hospitals. Previously, the State share was funded by governmental entities through intergovernmental transfers. The Medicaid enhanced payments relate to both fee for service and managed care claims. The Medicaid enhanced payments are designed to follow the patients and result in increased Medicaid rates.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

During 2013 and 2012, the Hospital recognized HAF Program expense of approximately \$1,218,000 and \$1,035,000, respectively, which resulted in Medicaid rate increases. The HAF Program expense is included in operating expenses in the consolidated statements of revenues, expenses and changes in net position. The Medicaid rate increases under the HAF Program are included in patient service revenue in the consolidated statements of revenues, expenses and changes in net position. The HAF Program was approved for extension in March 2014 by CMS for the period July 1, 2013 through June 30, 2017

As a governmental entity, the Hospital is also eligible for the Indiana Medicaid Supplemental programs including Medicaid DSH and Municipal Upper Payment Limit programs. The Hospital recognized reimbursement from these programs within net patient revenue of approximately \$183,000 and \$162,000 during 2013 and 2012, respectively. These programs are administered by the State of Indiana, but rely on Federal funding.

Other Payors

The Hospital also has entered into payment agreements with certain commercial insurance carriers and preferred provider organizations. The basis for payment to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges and prospectively determined daily rates.

Patient service revenue for 2013 and 2012 consists of the following:

	<u>2013</u>	<u>2012</u>
Patient service revenue		
Inpatient	\$ 5,364,496	\$ 5,962,204
Outpatient	47,409,432	47,818,378
Long-term care	<u>13,976,047</u>	<u>5,604,995</u>
Gross patient service revenue	66,749,975	59,385,577
Deductions from revenue		
Contractual allowances	26,202,392	26,576,942
Charity care	786,985	584,942
Provision for bad debts	<u>3,588,587</u>	<u>4,772,133</u>
Total deductions from revenue	<u>30,577,964</u>	<u>31,934,017</u>
Net patient service revenue	<u>\$ 36,172,011</u>	<u>\$ 27,451,560</u>

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

10. LEASE EXPENSE

The Hospital has multiple operating leases expiring at various times through 2015. Leases that do not meet the criteria for capitalization are classified as operating leases with related rentals charged to operating as incurred. Total rent expense, including cancelable and non-cancelable leases, for 2013 and 2012 was approximately \$22,000 and \$20,000, respectively.

Lease expense for facilities and equipment under the long-term care leases discussed in Note 1 was approximately \$2,330,000 and \$904,000 for 2013 and 2012, respectively.

11. PENSION PLAN

Plan Description

The Hospital has a defined contribution pension plan as authorized by Indiana Code 16-22-3-11. The plan provides retirement, disability and death benefits to plan members and beneficiaries. The plan was established by written agreement between the Hospital Board of Trustees and the Plan Administrator. The Plan Administrator issues a publicly available financial report that includes the financial statements and required supplementary information of the plan.

Funding Policy

The contribution requirements of plan members are established by the written agreement between the Hospital Board of Trustees and the Plan Administrator. The Hospital is required to contribute at the Board approved rate. The Hospital makes a matching contribution equal to 100% of an eligible employee's salary reduction contributions up to 5% of their eligible compensation. Forfeitures for non-vested contributions can be used to offset Hospital contributions. Pension expense was approximately \$138,000 and \$226,000 for 2013 and 2012, respectively.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

12. BLENDED COMPONENT UNIT

The Hospital's consolidated financial statements include the accounts of its blended component unit, the Foundation. All significant related party transactions have been eliminated from the consolidated financial statements. The following is a summary of the financial position of the Foundation as of and for the years ended December 31, 2013 and 2012:

	2013	2012
Balance sheets		
Assets		
Current assets	\$ 117,186	\$ 342,521
Assets whose use is limited	211,523	-0-
Capital assets	185,846	492,423
Other assets	58	1,078
Total assets and deferred outflows	<u>\$ 514,613</u>	<u>\$ 836,022</u>
Liabilities	\$ -0-	\$ -0-
Net position		
Net investment in capital assets	185,846	492,423
Restricted	211,523	-0-
Unrestricted	117,244	343,599
Total net position	<u>514,613</u>	<u>836,022</u>
Total liabilities and net position	<u>\$ 514,613</u>	<u>\$ 836,022</u>
Statements of Revenues, Expenses and Changes in Net Position		
Revenues	\$ -0-	\$ -0-
Expenses		
Depreciation	10,823	2,077
Total expenses	<u>10,823</u>	<u>2,077</u>
Operating income (loss)	(10,823)	(2,077)
Nonoperating revenues (expenses)	(310,586)	548,048
Change in net position	(321,409)	545,971
Net position, beginning of year	836,022	290,051
Net position, end of year	<u>\$ 514,613</u>	<u>\$ 836,022</u>
Statements of cash flows		
Cash provided by (used in)		
Operating activities	\$ -0-	\$ -0-
Noncapital financing	273,853	717,279
Capital and related financing activities	(25,136)	(492,423)
Investing activities	(227,242)	(162,521)
Change	21,475	62,335
Cash equivalents, beginning of year	232,267	169,932
Cash equivalents, end of year	<u>\$ 253,742</u>	<u>\$ 232,267</u>

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

13. CONCENTRATION OF CREDIT RISK

The Hospital is located in Rushville, Indiana. The Hospital grants credit without collateral to its patients, most of who are local residents and are insured under third-party payor agreements. The mix of gross receivables and gross revenue from patients and third-party payors as of and for the years ended December 31, 2013 and 2012 was as follows:

	Receivables		Revenues	
	2013	2012	2013	2012
Medicare	30%	36%	48%	47%
Medicaid	10%	11%	13%	14%
Blue Cross	10%	10%	16%	16%
Commercial	16%	10%	14%	13%
Self-pay	34%	33%	9%	10%
	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

14. RESTRICTED NONEXPENDABLE NET POSITION

Restricted nonexpendable net position includes perpetual trusts held by third parties, the corpus of which are not controlled by the management of the Hospital. Restricted nonexpendable net position was approximately \$1,222,000 and \$1,172,000 as of December 31, 2013 and 2012, respectively.

15. SELF INSURANCE

The Hospital is self-insured for employee health claims. A third-party administrator processes the claims for the Hospital. The Hospital maintains an estimated liability for the amount of claims incurred but not reported. The Hospital also maintains reinsurance including a stop loss for individual employees over \$70,000 a year with no aggregate limit. Substantially all employees are covered for major medical benefits. The total health claims expense was approximately \$995,000 and \$910,000 for 2013 and 2012, respectively. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

Changes in balance of health claim liabilities during the past two years are as follows:

	2013	2012
Unpaid claims, beginning of year	\$ 118,423	\$ 118,423
Incurred claims and changes in estimates	994,964	910,437
Claim payments	(1,020,490)	(910,437)
Unpaid claims, end of year	<u>\$ 92,897</u>	<u>\$ 118,423</u>

16. RISK MANAGEMENT

The Hospital is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Hospital has purchased commercial insurance for malpractice, general liability, and employee medical claims. The Hospital is insured against medical malpractice claims under a modified claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. Under the terms of the policy, the Hospital bears the risk of the ultimate costs of any individual claims exceeding \$250,000 or aggregate claims exceeding \$5,000,000, for claims asserted in the policy year. In addition, the Hospital has an umbrella policy with an additional \$5,000,000 of coverage.

17. UPCOMING GASB PRONOUNCEMENTS

Management has not currently determined what effects, if any, the implementation of the following recently enacted statements may have on its future combined financial statements:

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, issued January 2013, will be effective for government combinations and disposals of government operations occurring in financial reporting periods for periods beginning after December 15, 2013. This Statement establishes accounting and financial reporting standards related to government combinations (mergers, acquisitions, and transfers of operations) and disposals of government operations. The disclosures required by this Statement will enable financial statement users to evaluate the nature and financial effects of those transactions.

RUSH MEMORIAL HOSPITAL

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS DECEMBER 31, 2013 AND 2012

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, issued April 2013, will be effective for financial reporting periods beginning after June 15, 2013. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. Additional disclosures will be required by both governments that extend and receive financial guarantees.

SUPPLEMENTARY INFORMATION

RUSH MEMORIAL HOSPITAL

CONSOLIDATING BALANCE SHEETS DECEMBER 31, 2013

	Hospital	Foundation	Eliminations	Total
ASSETS				
Current assets				
Cash and cash equivalents	\$ 6,793,481	\$ 42,219	\$ -0-	\$ 6,835,700
Investments	9,008	74,467	-0-	83,475
Patient accounts receivable, net	5,952,137	-0-	-0-	5,952,137
Other current assets	2,842,849	500	-0-	2,843,349
Total current assets	15,597,475	117,186	-0-	15,714,661
Assets whose use is limited				
Internally designated	318,199	-0-	-0-	318,199
Donor restricted	2,626,993	211,523	-0-	2,838,516
Total assets whose use is limited	2,945,192	211,523	-0-	3,156,715
Capital assets				
Land	188,708	-0-	-0-	188,708
Depreciable capital assets, net	10,878,144	185,846	-0-	11,063,990
Total capital assets, net	11,066,852	185,846	-0-	11,252,698
Other assets	87,390	58	-0-	87,448
Total assets	<u>\$ 29,696,909</u>	<u>\$ 514,613</u>	<u>\$ -0-</u>	<u>\$ 30,211,522</u>
LIABILITIES AND NET POSITION				
Current liabilities				
Accounts payable and accrued expenses	\$ 7,024,917	\$ -0-	\$ -0-	\$ 7,024,917
Accrued wages and related liabilities	1,314,992	-0-	-0-	1,314,992
Lines of credit	3,311,935	-0-	-0-	3,311,935
Current portion of long term debt	593,291	-0-	-0-	593,291
Estimated third-party settlements	1,007,706	-0-	-0-	1,007,706
Total current liabilities	13,252,841	-0-	-0-	13,252,841
Long-term debt, net of current portion	2,698,137	-0-	-0-	2,698,137
Total liabilities	15,950,978	-0-	-0-	15,950,978
Net position				
Invested in capital assets, net of related debt	4,463,489	185,846	-0-	4,649,335
Restricted				
Expendable for various purposes upon donors' specific restriction	1,405,472	211,523	-0-	1,616,995
Nonexpendable permanently restricted	1,221,521	-0-	-0-	1,221,521
Total restricted net position	2,626,993	211,523	-0-	2,838,516
Unrestricted	6,655,449	117,244	-0-	6,772,693
Total net position	13,745,931	514,613	-0-	14,260,544
Total liabilities and net position	<u>\$ 29,696,909</u>	<u>\$ 514,613</u>	<u>\$ -0-</u>	<u>\$ 30,211,522</u>

See report of independent auditors on pages 1 and 2.

RUSH MEMORIAL HOSPITAL

CONSOLIDATING STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION YEAR ENDED DECEMBER 31, 2013

	Hospital	Foundation	Eliminations	Total
Revenues				
Net patient service revenue	\$ 36,184,554	\$ -0-	\$ (12,543)	\$ 36,172,011
Other operating revenue	1,144,856	-0-	(251,057)	893,799
Total revenues	37,329,410	-0-	(263,600)	37,065,810
Expenses				
Salaries and wages	11,641,848	-0-	26,208	11,668,056
Employee benefits	2,059,747	-0-	-0-	2,059,747
Medical professional fees	2,283,272	-0-	-0-	2,283,272
Purchased services	8,680,394	-0-	-0-	8,680,394
Medical supplies and drugs	3,295,989	-0-	-0-	3,295,989
Other supplies	403,823	-0-	-0-	403,823
Food	209,153	-0-	-0-	209,153
Facility and equipment leases	2,351,454	-0-	-0-	2,351,454
HAF Program	1,217,741	-0-	-0-	1,217,741
Depreciation	1,197,438	10,823	-0-	1,208,261
Insurance	765,534	-0-	-0-	765,534
Repairs and maintenance	514,007	-0-	-0-	514,007
Utilities	755,583	-0-	-0-	755,583
Other expenses	1,840,783	-0-	-0-	1,840,783
Total expenses	37,216,766	10,823	26,208	37,253,797
Operating income (loss)	112,644	(10,823)	(289,808)	(187,987)
Nonoperating revenues (expenses)				
Investment income	206,827	9,022	-0-	215,849
Interest expense	(204,323)	-0-	-0-	(204,323)
Contributions	1,866,263	273,853	-0-	2,140,116
Other nonoperating revenue (expense)	2,000	(593,461)	289,808	(301,653)
Nonoperating revenues (expenses), net	1,870,767	(310,586)	289,808	1,849,989
Change in net position	1,983,411	(321,409)	-0-	1,662,002
Net position				
Beginning of year	11,762,520	836,022	-0-	12,598,542
End of year	\$ 13,745,931	\$ 514,613	\$ -0-	\$ 14,260,544

See report of independent auditors on pages 1 and 2.