

Consolidated Financial Statements,
Supplementary Information, and
Report of Independent Certified Public Accountants

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**

December 31, 2013 and 2012

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

TABLE OF CONTENTS

	Page
Report of Independent Certified Public Accountants	1 - 2
Consolidated Financial Statements	
Consolidated Statements of Financial Position	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 26
Supplementary Information	
Net Patient Service Revenue	28
Other Revenue and Net Assets Released From Restrictions - Operations	29
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund	30
Expenses	31 - 33
Refundable Advances and Grant Revenue	34 - 37
Consolidating	
Statements of Financial Position	38 - 41
Statements of Operations	42 - 43



Audit • Tax • Advisory

Grant Thornton LLP
666 Third Avenue, 13th Floor
New York, NY 10017-4011

T 212.599.0100

F 212.370.4520

www.GrantThornton.com

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

We have audited the accompanying consolidated financial statements of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries (the “Organization”), which comprise the consolidated statements of financial position as of December 31, 2013 and 2012, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management’s responsibility for the 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. Those standards require that we plan and perform the audit 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 Organization’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 Organization’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 Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Supplementary Information

The accompanying information listed on the table of contents and presented on pages 28 through 43 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such supplementary 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. These additional procedures included comparing and reconciling the 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 supplementary information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Grant Thornton LLP

New York, New York
May 27, 2014

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Consolidated Statements of Financial Position
As of December 31, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS		
Cash and cash equivalents	\$ 17,528,815	\$ 22,716,109
Short-term investments	760,261	5,011,105
Assets whose use is limited required for current liabilities	764,775	663,938
Accounts receivable for services to patients - less allowance for uncollectible accounts of \$1,163,000 in 2013 and \$1,339,000 in 2012	7,725,841	8,019,667
Estimated amounts due from third party payors-net	2,746,835	-
Prepaid expenses	1,627,245	1,402,436
Inventory of supplies	509,062	474,384
Other receivables	2,823,747	2,632,424
Total current assets	<u>34,486,581</u>	<u>40,920,063</u>
Assets whose use is limited		
Foundation funds	97,005,718	83,556,588
Trusteed funds	25,411,971	21,283,333
Self-insurance trust	2,544,780	2,584,062
Restricted use cash	217,775	199,938
Depreciation fund	31,776	31,776
Donor-restricted long-term investments	2,986,897	2,577,276
	128,198,917	110,232,973
Less: assets whose use is limited required for current liabilities	(764,775)	(663,938)
	<u>127,434,142</u>	<u>109,569,035</u>
Deferred financings costs, net	95,514	101,105
Interest rate cap	39,155	23,815
Property, plant and equipment, net	33,326,056	34,401,796
Total assets	<u>\$ 195,381,448</u>	<u>\$ 185,015,814</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	\$ 3,494,949	\$ 3,487,979
Accrued expenses	3,343,191	2,764,115
Current portion of long-term debt	583,382	569,868
Estimated self-insurance liabilities	547,000	464,000
Estimated amounts due to third-party payors - net	-	2,815,850
Refundable advances	1,851,692	1,543,357
Accrued retirement benefits	137,523	127,730
Total current liabilities	<u>9,957,737</u>	<u>11,772,899</u>
Long-term debt, net of current portion	6,429,717	7,013,100
Estimated self-insurance liabilities, net of current portion	2,569,456	2,403,919
Accrued retirement benefits	30,494,278	47,766,893
Total liabilities	<u>49,451,188</u>	<u>68,956,811</u>
NET ASSETS		
Unrestricted	142,492,002	113,238,248
Temporarily restricted	2,650,673	2,033,170
Permanently restricted	787,585	787,585
Total net assets	<u>145,930,260</u>	<u>116,059,003</u>
Total liabilities and net assets	<u>\$ 195,381,448</u>	<u>\$ 185,015,814</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Consolidated Statements of Operations
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Revenues		
Net patient service revenue	\$ 63,332,678	\$ 64,289,031
Grant revenue	8,495,706	7,543,716
Other revenue	5,518,598	5,652,405
Medicare technology stimulus revenue	1,723,232	-
Net assets released from restrictions - operations	<u>262,311</u>	<u>169,653</u>
Total revenues	<u>79,332,525</u>	<u>77,654,805</u>
Expenses		
Salaries and wages	45,923,663	44,742,726
Supplies and expenses	19,898,545	17,199,511
Employee benefits	16,547,397	18,411,975
Depreciation and amortization	5,288,659	5,233,229
Provision for bad debts	268,465	221,967
Interest	<u>192,854</u>	<u>215,701</u>
Total expenses	<u>88,119,583</u>	<u>86,025,109</u>
Loss from operations	<u>(8,787,058)</u>	<u>(8,370,304)</u>
NONOPERATING GAINS AND (LOSSES), NET		
Contributions	838,170	564,260
Change in fair value of interest rate cap	15,340	(62,839)
Unrestricted income on investments	2,469,820	2,178,349
Realized gains on investments - net	5,829,368	6,535,249
Change in unrealized gains and losses on trading securities	<u>10,731,259</u>	<u>2,649,809</u>
Nonoperating income net	<u>19,883,957</u>	<u>11,864,828</u>
Excess of revenue and gains over expenses and losses	11,096,899	3,494,524
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisition	700,124	394,564
Other accrued retirement benefits adjustment	<u>17,456,731</u>	<u>2,661,378</u>
Increase in unrestricted net assets	<u>\$ 29,253,754</u>	<u>\$ 6,550,466</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Consolidated Statements of Changes in Net Assets
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
UNRESTRICTED NET ASSETS		
Excess of revenue and gains over expenses and losses	\$ 11,096,899	\$ 3,494,524
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisitions	700,124	394,564
Other accrued retirement benefits adjustment	<u>17,456,731</u>	<u>2,661,378</u>
Increase in unrestricted net assets	<u>29,253,754</u>	<u>6,550,466</u>
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	550,989	221,517
Contributions	588,057	286,931
Investment return	440,892	254,998
Net assets released from restrictions - operations	(262,311)	(169,653)
Net assets released from restrictions - capital acquisitions	<u>(700,124)</u>	<u>(394,564)</u>
Increase in temporarily restricted net assets	<u>617,503</u>	<u>199,229</u>
Increase in net assets	29,871,257	6,749,695
Net assets, beginning of year	<u>116,059,003</u>	<u>109,309,308</u>
Net assets, end of year	<u>\$ 145,930,260</u>	<u>\$ 116,059,003</u>

The accompanying notes are an integral part of these consolidated financial statements.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Consolidated Statements of Cash Flows
For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in net assets	\$ 29,871,257	\$ 6,749,695
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	5,288,659	5,233,229
Provision for bad debts	268,465	221,967
Change in fair value of interest rate cap	(15,340)	62,838
Realized gains on investments - net	(5,829,368)	(6,535,249)
Change in unrealized gains and losses on investment securities	(10,731,259)	(2,649,809)
Restricted contributions and investment return	(1,028,949)	(541,929)
Other accrued retirement benefits adjustment	(17,456,731)	(2,661,378)
Changes in assets and liabilities		
Accounts receivable for services to patients	25,361	205,083
Prepaid expenses and other assets	(450,810)	(228,306)
Accounts payable	6,970	1,154,403
Accrued expenses and other current liabilities	887,411	665,232
Self-insurance liabilities	248,537	(33,517)
Estimated third-party payor settlements, net	(5,562,685)	840,726
Accrued retirement benefits	<u>193,909</u>	<u>235,138</u>
Net cash (used in) provided by operating activities before trading securities	(4,284,573)	2,718,123
Change in investments - trading securities	<u>2,845,527</u>	<u>12,030,074</u>
Net cash (used in) provided by operating activities	<u>(1,439,046)</u>	<u>14,748,197</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment, net	<u>(4,207,328)</u>	<u>(4,342,192)</u>
Net cash used in investing activities	<u>(4,207,328)</u>	<u>(4,342,192)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(569,869)	(557,128)
Restricted contributions and investment return	<u>1,028,949</u>	<u>541,929</u>
Net cash provided by (used in) financing activities	<u>459,080</u>	<u>(15,199)</u>
Net (decrease) increase in cash and cash equivalents	(5,187,294)	10,390,806
Cash and cash equivalents - beginning of year	<u>22,716,109</u>	<u>12,325,303</u>
Cash and cash equivalents - end of year	<u>\$ 17,528,815</u>	<u>\$ 22,716,109</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 192,854</u>	<u>\$ 215,701</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Financial Statements

December 31, 2013 and 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Winifred Masterson Burke Rehabilitation Hospital (the "Hospital") is located in White Plains, New York, and is a not-for-profit rehabilitation hospital. The Organization provides inpatient and outpatient services.

The Hospital is the sole corporate member of The Winifred Masterson Burke Foundation, Inc. (the "Foundation") and The Winifred Masterson Burke Medical Research Institute, Inc. (the "Institute") (collectively, the "Organization").

The Foundation is a not-for-profit organization formed to hold and manage cash and investments transferred to it by the Hospital. The Institute is a not-for-profit organization that performs medical research activities.

The Hospital, Foundation and Institute are recognized by the Internal Revenue Service as exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC").

Basis of Accounting/Principles of Consolidation

The consolidated financial statements have been prepared on the accrual basis of accounting. All intercompany transactions and balances have been eliminated in consolidation.

Statements of Operations

The Organization's operating income includes all unrestricted revenues and expenses. Non-operating gains and losses include contributions, the change in fair value of the Organizations interest rate cap, unrestricted income on investments, realized gains and losses, the change in unrealized gains and losses on trading securities, which includes income related to investments in limited partnerships measured using a net asset value ("NAV"). The consolidated statements of operations also include the caption "excess of revenue and gains over expenses and losses," which is the performance indicator. Other changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and other accrued retirement benefits adjustment.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States 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 and the reported amounts of revenues and expenses during the reporting period. Net patient service revenue, allowance for uncollectible patient accounts receivable, amounts due to/from third-party payors, investments without readily determinable fair values, interest rate cap, estimated self-insurance liabilities, and accrued retirement benefit liabilities represent significant accounting estimates reflected in the consolidated financial statements. Actual results could differ from those estimates. The Organization's net patient service revenue for the years ended December 31, 2013 and 2012, increased by \$186,000 and decreased \$201,000, respectively, as a result of third-party payor settlements recognized from prior years.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Statements

December 31, 2013 and 2012

Cash and Cash Equivalents

Cash in banks and all highly liquid investments with original maturities of three months or less at the date of purchase are considered cash and cash equivalents, except for amounts included in assets whose use is limited. The carrying amount approximates fair value. The Organization's cash and cash equivalents are held in accounts whose balances substantially exceed the amount of related federal insurance.

Short-term Investments

Investments with original maturities of three months or greater at the date of purchase are considered short-term investments, except for amounts included in assets whose use is limited. The carrying amount approximates fair value.

Assets Whose Use is Limited

Assets whose use is limited include trusteed funds for which the Board of Directors of the Organization is empowered to use for patient care and other related purposes, within certain guidelines. Also included are Foundation investments, donor-restricted long-term investments, self-insurance trust investments, assets whose use is limited under an indenture agreement (foundation fund), a restricted cash fund and amounts set aside for plant replacement purposes (depreciation fund). Assets whose use is limited classified as current are for the current portion of estimated self-insurance liabilities and restricted cash.

Investments - Classified as Assets Whose Use is Limited

Investments with readily determinable fair values are stated at fair value based upon quoted market prices. The Organization invests in a variety of alternative investments carried at their net asset value per share as a practical expedient, as provided by the investment managers. Alternative investments are primarily in private equity funds and privately traded mutual funds, in which the underlying investments are in marketable securities and commodities. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These instruments may contain elements of both credit risk and market risk. Such risks included, but are not limited to: limited liquidity, absence oversight, dependence on key individuals, emphasis on speculative investments, and nondisclosure of portfolio composition.

Unrestricted investment income includes dividend and interest income, realized gains and losses and unrealized gains and losses on its trading securities and is included in non-operating gains and losses, net.

The Organization also invests in various limited partnerships. These investments utilize a "fund-of-funds" approach resulting in diversified multi-strategy, multimanager investments. The partnerships invest capital in a diversified group of investment entities, primarily in limited partnership interests issued by nontraditional firms or "hedge funds," which engage in a variety of investment strategies managed by money managers. These investments are measured using a net asset value ("NAV") per share, or its equivalent. Management's estimates are based on information provided by the fund managers or the general partners.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Inventory of Supplies

Inventory of supplies is valued at the lower of cost (average-costing method approximates FIFO) or market.

Deferred Financing Costs

Deferred financing costs represent costs associated with the existing debt, and are being amortized over the term of the related debt.

Interest Rate Cap

The Organization recognizes all derivative financial instruments (interest rate cap) in the consolidated financial statements at fair value. Management has determined that the Organization's interest rate cap agreement does not qualify as a hedge for financial reporting purposes. Consequently, the change in the fair value of the Organization's interest rate cap agreement is included as a component of excess of revenue and gains over expenses and losses in the consolidated statement of operations.

The interest rate cap agreement is used by the Organization to manage exposure to an increase in interest rates. Derivative financial instruments involve, to a varying degree, elements of market and credit risk. The market risk associated with this instrument resulting from interest increases is expected to offset the market risk of the liability being hedged.

Property, Plant and Equipment

Property, plant and equipment are stated at cost, less accumulated depreciation and amortization. Cost for donated assets is the fair value at the date of the gift. Equipment under lease is depreciated in accordance with the Organization's standard depreciation policy or term of the lease, whichever is shorter. Depreciation and amortization are provided for using the straight-line method, using the following estimated useful lives established by management:

Land improvements	5 - 25 years
Buildings	15 - 40 years
Fixed equipment	5 - 20 years
Major movable equipment	2 - 20 years

Gifts of land, buildings, and equipment are reported as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service.

The Organization, using its best estimates based on reasonable and supportable assumptions and projections, reviews for impairment of long-lived assets to be held and used whenever events or changes in circumstances indicate that the carrying amount of its assets might not be recoverable.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Statements

December 31, 2013 and 2012

Estimated Self-Insurance Liabilities

The provision for estimated self-insurance liabilities includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

Unrestricted net assets are not subject to donor-imposed stipulations and, therefore, may be expended for any purpose in performing the primary objectives of the Organization. Temporarily restricted net assets are those whose use has been limited by donors to a specific time period or purpose. Temporarily restricted net assets are available for education, purchase of equipment, research, financial assistance and other items. Permanently restricted net assets have been restricted by donors to be maintained by the Organization in perpetuity or used at a Board appropriated spending rate for an agreed upon purpose, as specified by the donor. Investment earnings on such are recognized as temporarily restricted revenue until such earnings are appropriated for expenditure in accordance with the Organizations policies and procedures.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as additional information becomes available or final settlements are determined.

Medicare Technology Stimulus Revenue

The American Recovery and Reinvestment Act of 2009 provides for Medicare incentive payments for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record ("EHR") technology. For these EHR incentive payments, the Organization utilizes a grant accounting model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the Organization recognized \$1,723,232 of EHR revenues in the accompanying consolidated statement of operations for the year ended December 31, 2013. The Organization's attestation of compliance with the meaningful use criteria is subject to audit by the government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

Charity Care and Community Benefit

The Organization provides charity care to patients who meet certain financial criteria under the Organizations charity care policy and criteria established by the State of New York. The Organization provides care to patients who meet the criteria without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is estimated based on average cost per day. The estimated costs incurred to provide charity care under the Organization's policy during the years ended December 31, 2013 and 2012, was approximately \$405,349 and \$301,300, respectively.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Statements

December 31, 2013 and 2012

As a community-based service organization, certain programs are provided, such as the Think First Program, a free injury educational seminar targeted to children. In addition, the Organization provides free and discounted meeting room space and use of the Organization's campus to not-for-profit health organizations. The Organization also provides free support groups and enrollment assistance in public programs. Annually, the Organization sponsors the Burke Wheelchair Games, a sporting event that targets both children and adults with disabilities. During this event, the Organization offers free admission for economically disadvantaged participants.

Donor-restricted Gifts and Grants

Gifts of cash and other assets are reported as restricted support if they are received with donor stipulations that limit use of the donated assets. Grants restricted by grantors for particular operating purposes or for property, plant and equipment acquisitions are deemed to be earned and reported as temporarily restricted grant revenues when the expenditures have been incurred in compliance with the specific restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statements of operations as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the same year as received are reflected as unrestricted contributions in the accompanying consolidated financial statements.

Allowance for Uncollectible Accounts

The Organization provides an allowance for uncollectible accounts for estimated losses resulting from the unwillingness or inability of patients or third-party payors to make payment for services. The allowance is determined by analyzing specific accounts and historical data and trends. Patient accounts receivable are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely and the Organization ceases collection efforts.

Fair Value Measurements

The Organization measures fair value as the price that would be received to sell an asset or paid to transfer a liability (the exit price) in an orderly transaction between market participants at the measurement date. The accounting guidance outlines a valuation framework and creates a fair value hierarchy in order to increase the consistency and comparability of fair value measurements and the related disclosures. The fair value hierarchy is broken down into three levels based on the source of inputs as follows:

- Level 1 - Quoted prices are available in publicly traded markets for identical assets or liabilities as of the measurement date.
- Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in publicly traded markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of valuation methodologies. Also included in Level 2 are investments measured using a net asset value ("NAV") per share, or its equivalent, that may be redeemed at that NAV at the date of the statement of financial position or in the near term, which the Organization has generally considered to be within 90 days.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Notes to Consolidated Statements

December 31, 2013 and 2012

Level 3 - Pricing inputs are unobservable for the asset or liability and include situations where there is little, if any, market activity for the asset or liability. The inputs into the determination of fair value require significant management judgment or estimation. Investments that are included in this category generally include hedge funds, private investment funds and partnership interests, which are required to provide the Organization with periodic audited financial statements. Also included in Level 3 are investments measured using NAV per share, or its equivalent, that can never be redeemed at NAV or for which redemption at NAV is uncertain due to lockup periods or other investment restrictions.

Due to/from Broker

Due to/from broker includes net amounts receivable for securities transactions that have not settled and cash held at the broker at the date of the consolidated financial statements.

Reclassifications

Certain amounts in the 2012 consolidated financial statements have been reclassified to conform with the current year presentation. Such reclassification did not change total assets, liabilities, revenues or expenses or changes in net assets reflected on the 2012 consolidated financial statements.

2. NET PATIENT SERVICE REVENUE

The Organization has agreements with third-party payors that provide for payments to the Organization at amounts different from its established rates. A summary of the payment arrangements with major third-party payors is as follows:

Medicare - The Organization is a 150-bed acute care facility having 120 beds designated for inpatient rehabilitation facility (“IRF”) use. The remaining 30 beds are for acute care use. The 120 IRF beds are reimbursed under the Medicare Case Mix Grouping (“CMG”) payment system. In order to qualify for CMG reimbursement, at least 60% of all patients admitted to the facility must have certain clinical characteristics that qualify them for rehabilitation treatment. As determined by CMS, the Organization’s IRF patient population was in compliance with this regulation for 2013 and 2012.

Medicaid - Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed on a per diem basis. The per diem rates contain prospective adjustments for the current year to account for changes in costs and volume.

Other - Payment agreements have been entered into with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the Organization under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined dailies.

Laws and regulations governing health care programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. Noncompliance with such laws and regulations could result in fines, penalties, and exclusion from such programs. The federal government and many states have aggressively increased enforcement under Medicare and Medicaid antifraud and abuse legislation. Recent federal initiatives have prompted a

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

national review of federally funded health care programs. The Organization has a compliance program to monitor conformance with applicable laws and regulations, but the possibility of future government review and interpretation exists. The Organization believes that it is in compliance, in all material respects, with all applicable laws and regulations and, is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation.

Noncompliance with such laws and regulations could result in repayments of amounts improperly reimbursed, substantial monetary fines, civil and criminal penalties and exclusion from the Medicare and Medicaid programs.

3. ASSETS WHOSE USE IS LIMITED

At December 31, 2013 and 2012, assets whose use is limited consist of the following:

	December 31,	
	2013	2012
Foundation funds:		
Equity securities	\$ 55,219,805	\$ 48,539,612
Fixed income	1,046,890	1,067,015
Common trust funds/mutual funds	13,125,374	12,467,568
Limited partnerships	27,607,668	21,374,865
Due from broker	5,981	107,528
	<u>97,005,718</u>	<u>83,556,588</u>
Trusteed funds:		
Cash and cash equivalents	833,849	2,835,804
Equity securities	15,733,583	11,307,347
Fixed income	1,331,550	1,535,157
Common trust funds/mutual funds	3,086,893	1,634,029
Limited partnerships	4,441,605	3,966,769
Due (to) from broker	(15,509)	4,227
	<u>25,411,971</u>	<u>21,283,333</u>
Self-insurance trust:		
Cash and cash equivalents	208,838	189,877
Fixed income	2,335,942	2,394,185
	<u>2,544,780</u>	<u>2,584,062</u>
Restricted use - cash	<u>217,775</u>	<u>199,938</u>
Depreciation fund - cash and cash equivalents	<u>31,776</u>	<u>31,776</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

	December 31,	
	2013	2012
Donor-restricted long term investments:		
Kennedy Duncan Fund:		
Cash and cash equivalents	\$ 9,937	\$ 67,401
Equity securities	269,447	1,368,091
Due (to) from broker	(2,872)	27,947
	<u>276,512</u>	<u>1,463,439</u>
Home Health Education Fund:		
Cash and cash equivalents	83,878	9,253
Equity securities	1,751,192	215,795
Due (to) from broker	(4,833)	2,306
	<u>1,830,237</u>	<u>227,354</u>
Employee recognition fund - cash equivalents	104,506	104,242
Restricted - cash	<u>775,642</u>	<u>782,241</u>
Total donor-restricted long-term investments	<u>2,986,897</u>	<u>2,577,276</u>
Total assets whose use is limited	<u>\$ 128,198,917</u>	<u>\$ 110,232,973</u>

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The Organization used the market approach as its valuation technique.

The following table summarizes the Organization's financial instruments by levels and excludes amounts due (to) from broker disclosed in footnote 3:

December 31, 2013	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 19,795,016	\$ -	\$ -	\$ 19,795,016
Fixed income securities (bond funds and CD's)	5,474,643	-	-	5,474,643
Equity oriented funds	43,937,887	11,843,485	17,192,655	72,974,027
Limited partnerships	-	18,475,326	13,573,947	32,049,273
Common trust funds/mutual funds	-	16,212,267	-	16,212,267
	<u>69,207,546</u>	<u>46,531,078</u>	<u>30,766,602</u>	<u>146,505,226</u>
Interest rate cap	-	39,155	-	39,155
Total assets	<u>\$ 69,207,546</u>	<u>\$ 46,570,233</u>	<u>\$ 30,766,602</u>	<u>\$ 146,544,381</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 26,936,641	\$ -	\$ -	\$ 26,936,641
Fixed income securities (bond funds and CD's)	10,007,462	-	-	10,007,462
Equity oriented funds	43,472,906	3,764,715	14,193,224	61,430,845
Limited partnerships	-	14,548,880	10,792,754	25,341,634
Common trust funds/mutual funds	-	14,101,597	-	14,101,597
	<u>80,417,009</u>	<u>32,415,192</u>	<u>24,985,978</u>	<u>137,818,179</u>
Interest rate cap	-	23,815	-	23,815
Total assets	<u>\$ 80,417,009</u>	<u>\$ 32,439,007</u>	<u>\$ 24,985,978</u>	<u>\$ 137,841,994</u>

For the years ended December 31, 2013 and 2012, purchases and sales of Level 3 investments were transfers between Level 1 and Level 3 investments. At December 31, 2013, the Organization transferred \$10,102 from Level 3 to Level 2 due to the termination of a fund subsequent December 31, 2013. The following tables summarize changes in fair values associated with Level 3 investments for the years ended December 31, 2013 and 2012:

<u>Level 3 Investments</u>	<u>Balance at December 31, 2012</u>	<u>Net Realized and Unrealized Gains (Losses)</u>	<u>Purchases (Contributions)</u>	<u>Sales (Withdrawals)</u>	<u>Transfers (net)</u>	<u>Balance at December 31, 2013</u>
Equity - oriented funds	\$ 14,193,224	\$ 1,728,405	\$ 1,529,980	\$ (258,954)	\$ -	\$ 17,192,655
Limited partnerships	10,792,754	2,526,902	1,681,181	(1,416,788)	(10,102)	13,573,947
Total	<u>\$ 24,985,978</u>	<u>\$ 4,255,307</u>	<u>\$ 3,211,161</u>	<u>\$ (1,675,742)</u>	<u>\$ (10,102)</u>	<u>\$ 30,766,602</u>

<u>Level 3 Investments</u>	<u>Balance at December 31, 2011</u>	<u>Net Realized and Unrealized Gains (Losses)</u>	<u>Purchases (Contributions)</u>	<u>Sales (Withdrawals)</u>	<u>Balance at December 31, 2012</u>
Equity - oriented funds	\$ 14,626,514	\$ (412,854)	\$ 78,456	\$ (98,892)	\$ 14,193,224
Limited partnerships	9,421,755	1,143,062	2,900,669	(2,672,732)	10,792,754
Total	<u>\$ 24,048,269</u>	<u>\$ 730,208</u>	<u>\$ 2,979,125</u>	<u>\$ (2,771,624)</u>	<u>\$ 24,985,978</u>

The Organization uses the NAV per share or its equivalent to determine fair value of all underlying investments which: (a) do not have readily determinable fair value and (b) prepare their financial statements consistent with the measurement principle of an investment company or have the attributes of an investment company.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

The following table lists investments by major category, in addition to the Organization's outstanding capital commitments, which are due on demand, related to their investment in limited partnerships and equity oriented funds are as follows at December 31, 2013 and 2012:

Category	December 31, 2013 Fair Value	December 31, 2012 Fair Value	December 31, 2013 Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup Period/ Remaining Life
Equity oriented funds ^(a)	\$ 29,036,140	\$ 17,957,939	\$ 129,052	Daily-Annually	30 - 60 days	N/A
Common trust funds/mutual funds ^(b)	16,212,267	14,101,597	-	Bi-Monthly- Quarterly	15 - 95 days	N/A
Limited partnerships ^(c)	<u>32,049,273</u>	<u>25,341,634</u>	<u>2,926,366</u>	Monthly or at termination of fund	Ranges between 10 - 15 days and no redemption	1 - 5 Years
	<u>\$ 77,297,680</u>	<u>\$ 57,401,170</u>	<u>\$ 3,055,418</u>			

- (a) *Equity oriented funds.* Investments are made up of equity investments in various limited liability companies and open end investment companies, some of which act as feeder funds.
- (b) *Common trust funds/mutual funds.* Investments are made up of various private investment funds, common trust funds, credit asset trust, corporate bond trust and investors trust.
- (c) *Limited partnerships.* Investments in limited partnerships.

The Organization's investment portfolio is exposed to various risks, such as interest rate, market risk and credit risk. Because of the level of risk associated with such investments, changes in their values will occur and such changes could materially affect the amounts reported in the accompanying consolidated financial statements. The Organization values Level 3 investments based on the NAV, or its equivalent, reported within audited financial statements provided by the fund managers, when available. The reported fair value of Level 3 investments is sensitive to changes in the funds underlying NAV or its equivalent.

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at December 31, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Kennedy Duncan Fund	\$ 387,585	\$ 387,585
Home Health Education Fund	300,000	300,000
Employee Recognition Fund	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 787,585</u>	<u>\$ 787,585</u>

Earnings on permanently restricted net assets are to be used in support of operations or specified program initiatives as stipulated by the respective donor.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Endowments - The endowment is composed of three permanently restricted endowments as of December 31, 2013 and 2012, respectively. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, if any, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretations of Relevant Law - The Organization follows the New York Prudent Management of Institutional Funds Act (“NYPMIFA”), which requires the preservation of the fair value of the original gift, as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Organization classifies as permanently restricted net assets: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) the accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument, at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net assets is classified as temporarily restricted nets assets until those amounts are appropriated for expenditure by the Organization Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the Organization considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the purpose, duration, and preservation of the endowment fund; expected total return of investments; general economic conditions and the possible effect of inflation or deflation; other resources of the institution; and the investment policy of the institution.

Changes in endowment funds and net assets for the years ended December 31, 2013 and 2012 consist of the following:

	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment funds and net assets, December 31, 2011	\$ 1,041,026	\$ 787,585	\$ 1,828,611
Investment returns:			
Investment loss	(7,419)	-	(7,419)
Net appreciation	<u>261,224</u>	<u>-</u>	<u>261,224</u>
Total investment return	253,805	-	253,805
Appropriation of endowment assets for expenditure	<u>(950)</u>	<u>-</u>	<u>(950)</u>
Endowment funds and net assets, December 31, 2012	1,293,881	787,585	2,081,466
Investment returns:			
Investment loss	(13,115)	-	(13,115)
Net appreciation	<u>453,580</u>	<u>-</u>	<u>453,580</u>
Total investment return	440,465	-	440,465
Appropriation of endowment assets for expenditure	<u>(400)</u>	<u>-</u>	<u>(400)</u>
Endowment funds and net assets, December 31, 2013	<u>\$ 1,733,946</u>	<u>\$ 787,585</u>	<u>\$ 2,521,531</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Return Objectives and Risk Parameters - The Organization's primary investment objectives are to invest its endowment principal to achieve growth of both principal value and income over time sufficient to preserve and/or increase the real (inflation adjusted) purchasing power of the assets, and to provide a stable source of perpetual financial support.

Strategies Employed for Achieving Objectives - The Organization relies on a total return strategy in which active equity managers/funds are expected to achieve an annualized total rate of return over a three- to five-year period, which exceeds an agreed upon benchmark rate of return, net of costs and fees. Total return is defined as dividend and interest income plus realized and unrealized capital appreciation or depreciation. Active fixed income managers are expected to exceed appropriate market indices, net of costs and fees. When index funds are used, the return should closely track the appropriate index.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or NYPMIFA requires the Organization to retain as a fund of permanent duration. At December 31, 2013 and 2012, there were no aggregate deficiencies of this nature reported within restricted net assets.

6. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment at December 31, 2013 and 2012, is as follows:

	<u>2013</u>	<u>2012</u>
Land	\$ 176,475	\$ 176,475
Land improvements	6,185,902	6,144,259
Buildings	57,771,553	55,307,746
Fixed equipment	28,102,348	27,470,516
Major movable equipment	<u>41,308,492</u>	<u>39,550,014</u>
	133,544,770	128,649,010
Less accumulated depreciation and amortization	<u>(100,338,587)</u>	<u>(95,144,023)</u>
	33,206,183	33,504,987
Construction in progress	<u>119,873</u>	<u>896,809</u>
	<u>\$ 33,326,056</u>	<u>\$ 34,401,796</u>

Depreciation and amortization expense on property, plant and equipment was \$5,288,659 and \$5,233,229 at December 31, 2013 and 2012, respectively.

At December 31, 2013 and 2012, included in property, plant and equipment is equipment recorded under a capital lease arrangement with an original cost of \$2,882,000. Accumulated amortization on the leased equipment was approximately \$ 881,356 and \$732,449 at December 31, 2013 and 2012, respectively.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

7. LONG-TERM DEBT

Long-term debt as of December 31 consisted of:

	<u>2013</u>	<u>2012</u>
Term loan	\$ 5,906,832	\$ 6,254,294
Capital lease collateralized by related equipment for cogeneration plant with the Dormitory Authority of New York State Tax Exempt Leasing Program (TELP), with an interest rate of 5.94% and monthly payments through March 2018	<u>1,106,267</u>	<u>1,328,674</u>
	7,013,099	7,582,968
Less current portion	<u>(583,382)</u>	<u>(569,868)</u>
	<u>\$ 6,429,717</u>	<u>\$ 7,013,100</u>

The Organization has a term loan with a financial institution which was used for renovations to the Institute's "Sturgis" building. The total amount of the term loan was \$6,949,216 and has monthly principal payments that began in January 2011 of \$28,988, with a balloon payment due January 1, 2018 of \$4,515,408. The term loan has a variable interest rate based on monthly LIBOR plus 1.75% (1.92% and 1.96% at December 31, 2013 and 2012, respectively). The term loan is collateralized by certain investments held by the Organization at 110% of the outstanding amount. The term loan has certain financial covenants which are required to be maintained on a quarterly basis.

Additionally, the Organization has an interest rate cap agreement with a financial institution, to limit the impact of increases in the interest rate on their term loan. The notional amount was \$ 6,800,000 and \$7,200,000 at December 31, 2013 and 2012, respectively. This agreement limits the Organization's exposure to increasing interest rates by providing a cap at 3.75% per annum.

The interest rate cap agreement matures at the time the term loan matures. The fair value of the interest rate cap agreement on December 31, 2013 and 2012 was estimated to be \$39,155 and \$23,815, respectively, and is separately shown as a non-current asset in the consolidated statement of financial position. The Organization may be exposed to credit loss in the event of nonperformance by the counterparty (JP Morgan) to the interest rate cap agreement. However, the Organization does not anticipate nonperformance as its counterparty is rated Aa1 by Moody's.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Future minimum payments on the long-term debt as of December 31, 2013, are as follows:

<u>Years</u>	<u>Term Loan</u>	<u>Capital Lease Obligation</u>
2014	\$ 347,856	\$ 296,469
2015	347,856	296,469
2016	347,856	296,469
2017	347,856	296,469
2018	<u>4,515,408</u>	<u>74,117</u>
Total	5,906,832	1,259,993
Less amount representing interest on capital lease obligation	<u>-</u>	<u>(153,726)</u>
	<u>\$ 5,906,832</u>	<u>\$ 1,106,267</u>

8. SELF-INSURANCE LIABILITIES

In June 2005, the Organization established a professional and general liability self-insurance program on a claims-made basis for limits of \$1 million per claim and \$3 million in the annual aggregate. The Organization also purchases commercial excess insurance coverage above these limits of coverage. This program is maintained and funded through the means of a self-insurance trust, managed by an independent fiduciary, and set up for the purpose of the payment of applicable claims from this program. An independent actuary calculates liabilities in the trust. The estimated liability for this reserve is approximately \$1,878,000 and \$1,712,000 at December 31, 2013 and 2012, respectively. Reserves for outstanding liabilities relating to incidents occurring during the self-insurance program and under insurance policies in force prior to June 2005, of approximately \$19,000 and \$21,000, were calculated as of December 31, 2013 and 2012, respectively, at an expected confidence level of loss and discounted basis.

The Organization also maintains an accrual, calculated at an expected confidence level of loss and discounted basis, of approximately \$1,219,000 and \$1,135,000, for the period coverage as of December 31, 2013 and 2012, respectively. The Organization has accrued its best estimate of the ultimate cost of losses payable under its self-insurance program at estimated present value based on a discount rate of 3.58% and 3.63% at December 31, 2013 and 2012, respectively.

9. ACCRUED RETIREMENT BENEFITS

The Organization has a noncontributory defined benefit pension plan (the "Plan") covering substantially all its employees. The benefits are based on years of service and the employees' compensation during the last five years of covered employment. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. As of January 1, 2013, the Organization changed the formula for future benefit accruals. The Organization also sponsors a supplemental retirement plan for certain executives. The Organization's funding policy is to contribute annually an amount no less than the minimum amount required by ERISA.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

In addition to the Organization's defined benefit pension plan, the Organization provides postretirement medical and life insurance benefits ("OPEB"). To be eligible for the medical benefits, the employee must be at least 65 years old and a participant in the defined benefit pension plan. To be eligible for the life insurance benefits, the employee must be at least 55 years old and vested in the defined benefit pension plan. The Organization funds these benefit costs on a pay-as-you-go basis.

The following table sets forth the plans, funded status, and amounts recognized in the Organization's consolidated financial statements:

	Defined Benefit Plans		Other Postretirement Benefits	
	2013	2012	2013	2012
Obligations and funded status:				
Organization's contributions	\$ 3,950,476	\$ 6,128,402	\$ 116,552	\$ 99,835
Benefit payments	<u>(3,478,863)</u>	<u>(3,062,386)</u>	<u>(116,552)</u>	<u>(99,835)</u>
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	<u>(26,520,664)</u>	<u>(42,304,742)</u>	<u>(4,111,137)</u>	<u>(5,589,881)</u>
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	<u>(93,436,060)</u>	<u>(100,871,642)</u>	<u>(4,111,137)</u>	<u>(5,589,881)</u>
Accumulated benefit obligation	<u>(93,133,373)</u>	<u>(100,826,153)</u>	<u>-</u>	<u>-</u>
Fair value of plan assets	<u>66,915,396</u>	<u>58,566,900</u>	<u>-</u>	<u>-</u>
Other accrued retirement benefits adjustment	<u>(15,865,045)</u>	<u>(771,192)</u>	<u>(1,591,686)</u>	<u>(1,890,186)</u>
Service cost	2,056,637	3,798,294	197,221	408,279
Interest cost	4,149,293	4,410,563	211,768	355,023
Expected return on plan assets	(4,712,103)	(4,222,305)	-	-
Amortization of prior service cost	(520,999)	(143,830)	(94,265)	-
Recognized actuarial gain	<u>3,058,616</u>	<u>1,857,351</u>	<u>(85,230)</u>	<u>-</u>
Net periodic benefit cost	<u>\$ 4,031,444</u>	<u>\$ 5,700,073</u>	<u>\$ 229,494</u>	<u>\$ 763,302</u>

At December 31, 2013, the expected estimated aggregate amount from unrestricted net assets into net periodic benefit cost related to net actuarial loss and prior service cost is \$1,291,003 and \$(671,823), respectively.

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Weighted-average assumptions used in determining the benefit obligation at December 31, 2013 and 2012, were as follows:

Assumptions	Defined Benefit Plans		Other Postretirement Benefits	
	2013	2012	2013	2012
Weighted-average assumptions used in computing benefit obligation at December 31:				
Discount rate	5.09 %	4.29 %	5.10 %	5.31 %
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	3.00	4.75
Ultimate trend rate in 2014 and forward	-	-	3.00	4.75
Weighted-average assumptions used in computing net periodic benefit cost for the years ended December 31:				
Discount rate	4.29	5.04	4.44	5.31
Expected long-term return on assets	8.00	8.00	-	-
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	4.74	4.75
Ultimate trend rate in 2013 and forward	-	-	3.00	4.75

To develop the expected long-term rate of return on plan assets, the Organization considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio. This approach resulted in the selection of the 8.00% long-term rate of return on Plan assets assumption.

The measurement date used to determine the Plan measurements is December 31.

The Plan's weighted-average asset allocation at December 31, 2013 and 2012 is as follows:

	2013	2012
Equity securities	41 %	34 %
Common trusts funds/mutual funds	39	41
Cash and cash equivalents	5	11
Limited partnerships	15	14
	<u>100 %</u>	<u>100 %</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Fair Values of Plan Assets

The following table presents the Organization's categorization of the assets of the Plan within the fair value hierarchy using the market approach valuation technique at December 31, 2013 and 2012:

<u>December 31, 2013</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 3,699,563	\$ -	\$ -	\$ 3,699,563
Equity securities ^(a)	23,115,850	4,097,345	-	27,213,195
Common trust funds/mutual funds ^(b)	22,437,778	3,388,537	-	25,826,315
Limited Partnership ^(c)	-	10,176,323	-	10,176,323
	<u>\$ 49,253,191</u>	<u>\$ 17,662,205</u>	<u>\$ -</u>	<u>\$ 66,915,396</u>

<u>December 31, 2012</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Cash and cash equivalents	\$ 6,598,419	\$ -	\$ -	\$ 6,598,419
Equity securities ^(a)	15,732,331	3,693,563	-	19,425,894
Common trust funds/mutual funds ^(b)	21,089,711	3,051,984	-	24,141,695
Limited Partnership ^(c)	-	8,400,892	-	8,400,892
	<u>\$ 43,420,461</u>	<u>\$ 15,146,439</u>	<u>\$ -</u>	<u>\$ 58,566,900</u>

^(a) Comprised of various equity securities which include private equity securities, U.S. and foreign large, mid-cap and small-cap equities.

^(b) Comprised of debt securities in publicly and privately held mutual funds.

^(c) Comprised of investments in limited partnership.

The Plan had unfunded capital commitments of \$229,068 at December 31, 2013.

Target Allocations

The Plan's targeted asset allocation is as follows:

	<u>Min %</u>	<u>Target %</u>	<u>Max %</u>
Asset Class			
Growth assets, US Equity, International Equity, Hedge Funds, Private Equity	50 %	70 %	80 %
Fixed Income	0	10	20
Real Assets Commodities, Real Estate, MLP's	10	20	30
Cash	0	0	10

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Contributions

The Organization's required contributions to the defined benefit plans and the postretirement plan in 2014 are approximately \$3,710,000 and \$ 138,000, respectively. These contributions represent the amount necessary to meet expected benefit payments for those individuals who are expected to terminate or retire during 2013 and who become eligible for a benefit.

Estimated Future Benefit Payments

Future benefit payments by the Plan and OPEB, reflective of expected future service, are expected to be paid as follows:

Fiscal Years Ending December 31,	Plan	OPEB
2014	\$ 6,220,186	\$ 137,523
2015	4,646,346	146,136
2016	4,820,467	161,324
2017	5,011,214	171,818
2018	5,258,167	182,108
2019 - 2023	30,306,928	1,179,211

Defined Contribution Plan - The Institute has a defined contribution benefit plan covering substantially all of its employees. Benefits are provided by fixed-dollar annuities issued to each participant. Contributions are made automatically based on a percentage of the participant's regular salary in accordance with the following schedule:

	On Portion of Salary within Social Security Wage Base	On Salary Above Social Security Wage Base
Under age 40	5	10
Age 40-49	10	15
Age 50 and above	15	20

The Organization's benefit expense for the defined contribution plan for the years ended December 31, 2013 and 2012, was approximately \$421,943 and \$389,700, respectively.

10. CONCENTRATION OF CREDIT RISK

The Organization provides health care services through its inpatient and outpatient care facilities. The Organization grants credit without collateral to patients, substantially all of who are local residents; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans, or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations, and commercial insurance policies).

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

Patient accounts receivable by financial class as a percentage of total patient accounts receivable at December 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Medicare	50 %	52 %
Blue Cross	13	12
Medicaid	2	1
Other third-party payors	32	31
Patients	<u>3</u>	<u>4</u>
	<u>100 %</u>	<u>100 %</u>

The Medicare program approximated 66% of net patient service revenue for the years ended December 31, 2013 and 2012.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases - The minimum lease commitments for various equipment and facilities under non-cancelable operating leases are in effect as of December 31, 2013, as follows:

<u>Years</u>	
2014	\$ 634,739
2015	545,860
2016	340,240
2017	80,771
2018	59,595
Thereafter	<u>14,162</u>
Total	<u>\$ 1,675,367</u>

Rental expense amounted to \$581,112 and \$457,000 for the years ended December 31, 2013 and 2012, respectively.

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

**THE WINIFRED MASTERSON BURKE REHABILITATION
HOSPITAL AND SUBSIDIARIES**
Notes to Consolidated Statements
December 31, 2013 and 2012

12. FUNCTIONAL EXPENSES

The Organization provides rehabilitative health care services to patients and related support activities as described in Note 1. Expenses related to providing these services, included in the consolidated statements of operations at December 31, 2013 and 2012, are as follows:

	<u>2013</u>	<u>2012</u>
Health care services	\$ 50,523,931	\$ 47,800,636
General and administrative	31,200,424	31,368,757
Research	<u>7,395,228</u>	<u>6,855,716</u>
Total expenses	<u>\$ 89,119,583</u>	<u>\$ 86,025,109</u>

13. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2013 consolidated financial statements for subsequent events through May 27, 2014, the date the consolidated financial statements were issued. The Organization is not aware of any subsequent events which would require recognition or disclosure in the accompanying consolidated financial statements except as follows:

The Organization had capital calls subsequent to December 31, 2013 of \$168,769, including pension plan assets.

SUPPLEMENTARY INFORMATION

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Net Patient Service Revenue

For the years ended December 31, 2013 and 2012

	2013			2012		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
ROUTINE PATIENT CARE	\$ 61,985,500	\$ -	\$ 61,985,500	\$ 62,498,100	\$ -	\$ 62,498,100
PHYSICIAN FEES	2,713,452	236	2,713,688	2,903,484	-	2,903,484
OTHER PROFESSIONAL SERVICES						
Radiology - diagnostic	381,918	250,160	632,078	399,797	223,511	623,308
Laboratory	2,676,350	237	2,676,587	2,896,933	-	2,896,933
Electrocardiography	518,323	1,222,952	1,741,275	571,439	1,093,050	1,664,489
Physical therapy	13,401,808	12,017,076	25,418,884	13,546,948	10,195,853	23,742,801
Respiratory therapy	2,425,836	-	2,425,836	2,270,203	-	2,270,203
Occupational therapy	12,049,797	1,066,392	13,116,189	12,290,576	968,591	13,259,167
Central services	1,532,205	8,088	1,540,293	1,484,883	5,835	1,490,718
Pharmacy	5,657,629	28,629	5,686,258	6,010,636	32,596	6,043,232
Speech and hearing	2,261,672	501,634	2,763,306	2,228,508	608,535	2,837,043
Orthotics and prosthetics	253,387	1,330	254,717	270,249	(665)	269,584
Transportation	-	-	-	24,650	-	24,650
Other	-	325	325	132	393	525
Total other professional services	41,158,925	15,096,823	56,255,748	41,994,954	13,127,699	55,122,653
Total patient care revenue - gross charges	105,857,877	15,097,059	120,954,936	107,396,538	13,127,699	120,524,237
LESS CONTRACTUAL ALLOWANCES	(50,201,619)	(7,420,639)	(57,622,258)	(49,804,823)	(6,430,383)	(56,235,206)
Net patient service revenue	\$ 55,656,258	\$ 7,676,420	\$ 63,332,678	\$ 57,591,715	\$ 6,697,316	\$ 64,289,031

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Other Revenue and Net Assets Released From Restrictions - Operations For the years ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
OTHER REVENUE		
Employees' benefit contributions	\$ 801,476	\$ 844,179
Purchase discounts	4,489	1,640
Sale of medical abstracts	2,152	4,171
Community fitness center	535,376	531,321
Rental of space	1,011,803	870,345
Apartment housing rental	423,450	425,494
Offsite programs	2,544,749	2,850,860
Miscellaneous	<u>195,103</u>	<u>124,395</u>
Total other revenue	<u>\$ 5,518,598</u>	<u>\$ 5,652,405</u>
NET ASSETS RELEASED FROM RESTRICTIONS - OPERATIONS		
Advanced Biologics Novartis Study	\$ -	\$ 16,878
Accorda Studies	39,054	-
Balcofen Study	20,655	-
Kohlberg Grant	39,277	-
ARA Research Institute Study	-	99
Gift Shop	33,209	23,857
Wheelchair Athletics	18,732	20,831
Will Rogers Pulmonary Fund	95,000	65,000
Other	<u>16,384</u>	<u>42,988</u>
Net assets released from restrictions - operations	<u>\$ 262,311</u>	<u>\$ 169,653</u>

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund
For the years ended December 31, 2013 and 2012

	Net Assets December 31, 2012	Contributions	Investments Return	Net Assets Released from Restrictions		Net Assets December 31, 2013
				Operations	Capital Acquisitions	
Audio-visual Laboratory	\$ 753	\$ -	\$ -	\$ -	\$ -	\$ 753
Accorda Studies	37,573	13,909	-	(39,054)	-	12,428
ARA Research Institute	15,815	-	-	-	-	15,815
Baclofen Study	7,495	13,160	-	(20,655)	-	-
Kohlberg Grant	-	110,000	-	(39,277)	-	70,723
Burke Gift Shop	212,074	60,218	423	(33,209)	(43,242)	196,264
Child Care Fund	454	-	-	-	-	454
Design for Disabled	1,772	-	-	-	-	1,772
Employee Recognition	2,071	7,401	264	(7,711)	-	2,025
Gisondi Alz Rehab	20,000	-	-	-	-	20,000
Heart Monitor Fund	2,773	-	-	-	-	2,773
Home Health Education Fund	74,884	-	49,159	-	-	124,043
IMPAX Spinal Cord Injury	-	3,250	-	-	-	3,250
Kennedy Duncan Fund	1,218,463	-	391,046	-	-	1,609,509
Leahy Pulmonary Fund	106,199	520	-	(275)	-	106,444
Medical Director	39,167	-	-	-	-	39,167
Myerson Equipment Fund	7,124	85,200	-	(110)	(92,125)	89
Nielsen Foundation Handcycling	-	35,583	-	-	-	35,583
Novella Clinic Study	1,425	-	-	-	-	1,425
Nuero Rehab Fellowship	-	120,000	-	-	-	120,000
Patient Greenhouse Fund	6,032	3,911	-	(3,340)	-	6,603
Prosthetic Fund	34,324	2,346	-	(1,772)	(3,970)	30,928
Quintiles Drug Study — E2020	499	-	-	-	-	499
Opteminsight	-	950	-	-	-	950
Reeve Foundation	6,000	-	-	-	(6,000)	-
Rheumatology	5,879	-	-	-	-	5,879
Social Service	24,884	645	-	(961)	-	24,568
Speech and Hearing	10,275	-	-	-	-	10,275
Spinal Cord Studies	8,750	5,500	-	-	-	14,250
Sports Neurology	7,469	1,100	-	(354)	-	8,215
Vocational Education	6,838	-	-	(1,861)	-	4,977
Volunteers Fund	14,473	5,000	-	-	(3,798)	15,675
Wheelchair Athletics	149,705	34,364	-	(18,732)	-	165,337
Will Rogers Fund	10,000	85,000	-	(95,000)	-	-
	<u>\$ 2,033,170</u>	<u>\$ 588,057</u>	<u>\$ 440,892</u>	<u>\$ (262,311)</u>	<u>\$ (149,135)</u>	<u>\$ 2,650,673</u>

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2013 and 2012

	2013			2012		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
NURSING AND MEDICAL						
General nursing	\$ 12,543,563	\$ 492,257	\$ 13,035,820	\$ 12,736,671	\$ 491,511	\$ 13,228,182
Medical services	7,416,085	1,125,298	8,541,383	6,855,213	994,613	7,849,826
Admitting	257,672	5,839	263,511	248,651	7,501	256,152
General services	86,217	298,884	385,101	85,746	327,625	413,371
Total nursing and medical	<u>20,303,537</u>	<u>1,922,278</u>	<u>22,225,815</u>	<u>19,926,281</u>	<u>1,821,250</u>	<u>21,747,531</u>
OTHER PROFESSIONAL						
Radiology - diagnostic	220,230	154,775	375,005	218,179	162,624	380,803
Laboratory	-	749,237	749,237	-	821,242	821,242
Electrocardiography	214,283	49,093	263,376	210,708	54,697	265,405
Physical therapy	4,705,733	176,269	4,882,002	4,546,825	187,288	4,734,113
Occupational therapy	2,697,022	76,374	2,773,396	2,636,764	81,324	2,718,088
Pharmacy	888,389	1,117,445	2,005,834	886,468	1,306,412	2,192,880
Speech and hearing	822,274	15,824	838,098	800,758	17,592	818,350
Orthotics and prosthetics	-	218,731	218,731	-	230,475	230,475
Medical records	290,273	55,345	345,618	298,920	45,765	344,685
Social service	877,097	17,923	895,020	889,366	22,140	911,506
Total other professional	<u>10,715,301</u>	<u>2,631,016</u>	<u>13,346,317</u>	<u>10,487,988</u>	<u>2,929,559</u>	<u>13,417,547</u>
AMBULATORY CARE	<u>87,872</u>	<u>675</u>	<u>88,547</u>	<u>88,887</u>	<u>1,008</u>	<u>89,895</u>
GENERAL SERVICES						
Dietary	1,361,643	1,142,018	2,503,661	1,357,307	1,118,623	2,475,930
Operation and maintenance of plant	1,869,945	2,303,303	4,173,248	1,838,090	2,159,472	3,997,562
Housekeeping	1,027,162	412,214	1,439,376	1,037,410	408,530	1,445,940
Laundry and linen	106,823	5,452	112,275	108,842	10,990	119,832
Total general services	<u>\$ 4,365,573</u>	<u>\$ 3,862,987</u>	<u>\$ 8,228,560</u>	<u>\$ 4,341,649</u>	<u>\$ 3,697,615</u>	<u>\$ 8,039,264</u>

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2013 and 2012

	2013			2012		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
ADMINISTRATIVE AND FISCAL SERVICES						
Executive office	\$ 580,032	\$ 1,539,872	\$ 2,119,904	\$ 527,415	\$ 1,231,317	\$ 1,758,732
Fiscal office	2,146,412	491,895	2,638,307	2,122,756	442,129	2,564,885
Personnel	518,587	235,074	753,661	506,716	279,735	786,451
Purchasing and storeroom	224,432	5,096	229,528	219,916	5,386	225,302
Communication	121,133	124,743	245,876	117,948	120,125	238,073
Volunteer service	67,233	3,485	70,718	71,154	15,395	86,549
Data processing	1,035,572	1,092,182	2,127,754	933,300	837,473	1,770,773
Insurance	-	1,347,508	1,347,508	-	696,756	696,756
Public relations	159,058	740,319	899,377	153,411	629,973	783,384
Development	402,326	216,414	618,740	439,226	208,829	648,055
Managed care	-	-	-	836	60	896
Total administrative and fiscal services	<u>5,254,785</u>	<u>5,796,588</u>	<u>11,051,373</u>	<u>5,092,678</u>	<u>4,467,178</u>	<u>9,559,856</u>
PROVISION FOR BAD DEBTS	-	268,465	268,465	-	221,967	221,967
EMPLOYEE BENEFITS						
Pension and other postretirement benefit expenses	-	4,935,818	4,935,818	-	7,129,321	7,129,321
Federal Insurance Contributions Act taxes	-	2,954,156	2,954,156	-	2,923,160	2,923,160
Health insurance	-	6,429,875	6,429,875	-	6,230,932	6,230,932
Workers' compensation insurance	-	523,780	523,780	-	589,554	589,554
Unemployment insurance	-	49,823	49,823	-	59,282	59,282
Disability insurance	-	47,670	47,670	-	46,518	46,518
Total employee benefits	-	<u>14,941,122</u>	<u>14,941,122</u>	-	<u>16,978,767</u>	<u>16,978,767</u>
INTEREST	-	73,511	73,511	-	86,283	86,283
DEPRECIATION AND AMORTIZATION	-	3,935,074	3,935,074	-	3,893,885	3,893,885
Total medical rehabilitation services	<u>\$ 40,727,068</u>	<u>\$ 33,431,716</u>	<u>\$ 74,158,784</u>	<u>\$ 39,937,483</u>	<u>\$ 34,097,512</u>	<u>\$ 74,034,995</u>

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2013 and 2012

	2013			2012		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
FOUNDATION SERVICES						
Grantor services	\$ -	\$ 5,158,751	\$ 5,158,751	\$ -	\$ 5,043,463	\$ 5,043,463
Management and general	-	1,314,723	1,314,723	-	578,540	578,540
Total foundation services	-	6,473,474	6,473,474	-	5,622,003	5,622,003
MEDICAL RESEARCH SERVICES						
Medical research	3,528,888	3,274,263	6,803,151	3,138,625	2,775,561	5,914,186
Employee benefits - medical research	-	1,087,793	1,087,793	-	934,879	934,879
Management and general	1,667,707	2,729,360	4,397,067	1,666,618	2,607,623	4,274,241
Interest expense	-	119,343	119,343	-	129,418	129,418
Employee benefits - management and general	-	518,482	518,482	-	498,330	498,330
Depreciation	-	1,353,585	1,353,585	-	1,339,344	1,339,344
Total medical research services	5,196,595	9,082,826	14,279,421	4,805,243	8,285,155	13,090,398
Subtotal expenses	45,923,663	48,988,016	94,911,679	44,742,726	48,004,670	92,747,396
CONSOLIDATING ENTRIES	-	(6,792,096)	(6,792,096)	-	(6,722,287)	(6,722,287)
Consolidated expenses	\$ 45,923,663	\$ 42,195,920	\$ 88,119,583	\$ 44,742,726	\$ 41,282,383	\$ 86,025,109

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2013 and 2012

Account Name	Refundable Advances December 31, 2012	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2013
PRIVATE GRANTS								
EISAI- Jordan	\$ 1,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,478
Columbia Profess Study	-	-	-	-	-	-	-	-
Lupus Foundation	26,887	-	-	-	-	-	(26,887)	-
Hunter College	405	-	-	405	-	-	-	-
Overbrook	15,302	-	-	-	-	-	-	15,302
Cardiac Fund	11,283	-	-	2,965	-	-	-	8,318
Forrest Pharmaceutical	1,860	-	-	1,419	164	-	-	277
Scallon	157	-	-	-	-	-	-	157
Korean University	57	-	-	-	-	-	-	57
Animal Care Center	87,978	-	-	(73,263)	-	-	-	161,241
Fujisawa Corp	1,265	-	-	-	-	-	-	1,265
Accorda Therapeutics	-	-	-	-	-	-	-	-
UCSD Coop Study	760	-	-	760	-	-	-	-
Mitro Defects-Gibson	4,249	1,000	-	468	-	-	-	4,781
Cornell Fellowship	2,138	-	-	2,138	-	-	-	-
Mt. Sinai	21,300	-	-	-	-	-	-	21,300
Anti- Micro	-	374	-	-	-	-	(374)	-
Hartman Foundation	81,941	-	-	-	-	-	-	81,941
Wyeth Acute Stroke Study	-	19,702	-	-	-	-	(19,702)	-
Wyeth Training Study	-	8,469	-	-	-	-	(8,469)	-
Lieberman Fund	3,860	1,000	-	4,860	-	-	-	-
IRSF Fund	8,111	-	-	-	-	-	-	8,111
Whitehall Fund	49,889	-	-	49,889	-	-	-	-
Cornell Goldfine	-	103,547	-	-	-	-	(103,547)	-

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2013 and 2012

Account Name	Refundable Advances December 31, 2012	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2013
Don Sperling Fund	\$ 16,705	\$ 11,200	\$ -	\$ -	\$ -	\$ -	\$ 500	\$ 28,405
Allen & Co Goldfine	10,000	30,000	-	2,097	-	28,647	-	9,256
Hoffman LaRoche	36,635	-	-	22,873	-	-	-	13,762
Novartis Jordan	51,078	-	-	-	-	-	-	51,078
Dana Foundation-Elder	89,844	-	-	45,151	-	-	-	44,693
Reeve Foundation	-	75,000	-	10,134	-	-	(52,420)	12,446
Johnson & Johnson	31,181	425	-	15,634	12,663	-	-	3,309
Carmel Funds	327,870	38,105	-	52,491	-	162,696	-	150,788
March of Dimes	15,080	75,000	-	64,136	6,414	-	-	19,530
Adelson Foundation	231,844	369,883	-	375,591	-	3,747	-	222,389
American Diabetes Assoc.	-	102,991	-	89,193	13,379	1,062	643	-
Stealth Peptides	-	129,582	-	110,499	22,100	-	3,017	-
CHDI Mito Dysfunction	-	237,928	-	214,087	32,113	3,837	12,109	-
US Israel Binational	18,163	30,048	-	29,157	4,374	-	-	14,680
Adelson-Langley	199,571	293,900	-	232,552	-	949	-	259,970
Visual Rehab	8,000	5,000	-	535	-	-	-	12,465
Reeve Foundation - Zhong	25,000	-	-	23,388	-	1,362	-	250
Pacific Northwest Labs	-	155,426	-	-	-	155,426	-	-
Restore Neuro Clinic	-	142,585	-	95,155	14,273	6,224	(15,100)	11,833
Clinical SCI PR	-	13,000	-	2,177	-	-	-	10,823
Adelson Edwards	-	50,000	-	65,016	-	-	15,016	-
Brain Map Study Labar	-	4,167	-	1,921	-	-	-	2,246
Retinal Photo- Prusky	-	-	-	7,361	3,294	-	10,655	-
USMA - O'Donovan	-	-	-	49,643	-	-	49,643	-
Carvel- Friel	-	125,000	-	19,483	-	6,000	-	99,517
Carvel- Donohoe	-	125,000	-	25,941	-	-	-	99,059
Carvel- Carmel	-	125,000	-	17,572	-	-	-	107,428
Carvel- Prusky	-	125,000	-	13,242	-	35,004	-	76,754
Pathmaker Mobility	-	25,000	-	930	-	-	-	24,070
Skirball- Edwards	-	50,000	-	-	-	-	-	50,000
NRF Korea	-	31,022	-	-	-	-	-	31,022
Retinal Research	-	20,000	-	-	-	-	-	20,000

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2013 and 2012

Account Name	Refundable Advances December 31, 2012	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2013
Willis Research Fund	\$ -	\$ 7,050	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,050
Goldsmith D	-	-	-	18,750	-	-	18,750	-
Cornell Schiff	-	-	-	31,145	-	-	31,145	-
Volpe Research Fund	1,658	-	-	-	-	-	(1,658)	-
NYS Retinal Study	-	14,592	-	16,284	3,257	-	4,949	-
Stroke Research	18,223	5,146	-	3,301	-	-	-	20,068
NYS SCIRB - Langley	-	190,386	-	156,431	31,286	-	(2,669)	-
Alzheimer's Disease- Shi	-	-	-	(234)	-	-	-	234
NYS Alzheimer's Disease - Jordan	-	106,060	-	82,262	-	20,000	(3,798)	-
Dementia Other	869	-	-	869	-	-	-	-
Wood Kalb	8,764	-	-	8,764	-	-	-	-
Alzheimer's Research Research Fund	1,341 11,510	738 -	- -	1,941 -	- -	- -	- -	138 11,510
Medical Directors Fund	25,500	3,086	-	28,000	-	-	-	586
Goldsmith Foundation A	51,531	50,000	-	55,585	-	-	-	45,946
Goldsmith Foundation B	19,200	50,000	-	34,291	-	-	-	34,909
Goldsmith Foundation C	20,000	50,000	-	-	-	-	(18,750)	51,250
Dr. I. Foundation	4,870	-	-	4,870	-	-	-	-
Total private grants	1,543,357	3,001,412	-	2,017,859	143,317	424,954	(106,947)	1,851,692
FEDERAL GRANTS								
NIA-Mitochondrial Dysfunction in Aging	-	-	1,658,792	545,872	411,042	701,878	-	-
NINDS-Injury and adaptation in the developing rat corticospinal	-	-	188,349	165,860	13,269	9,220	-	-
NINDS-HDAC6: Target for regeneration following injury	-	-	374,057	162,544	131,661	79,852	-	-
NICHHD-Transcranial Direct Current Stimulation & Robotics	-	-	593,933	231,843	187,793	174,297	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve	-	-	245,976	129,127	104,593	12,256	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve-Supple	-	-	207,369	109,382	92,975	5,012	-	-
NINDS-Impact of BDNF SNP on stroke-induced plasticity	-	-	465,185	243,114	206,646	15,425	-	-
NIH-Role of CD36 in Ischemic Inflammation	-	-	380,854	174,773	141,567	64,514	-	-
NIMH-Allelic Choice in Rett Syndrome	-	-	374,561	213,668	160,893	-	-	-

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2013 and 2012

Account Name	Refundable Advances December 31, 2012	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2013
NEI-Retinal Neural Processing During Retinal Degenerative	\$ -	\$ -	\$ 410,076	\$ 233,928	\$ 176,148	\$ -	\$ -	\$ -
NEI-Retinal Neural Processing During Retinal Degenerative-Supple	-	-	15,020	78,014	(63,432)	438	-	-
NINR-Axonal Transport Local Translation in Neuropathic Pain	-	-	131,281	74,889	56,392	-	-	-
NICHHD-Non-invasive stimulation for improving motor function	-	-	80,224	41,140	39,084	-	-	-
NINDS-Mechanisms of cerebral palsy recovery induced by balancing	-	-	187,411	158,035	12,643	16,733	-	-
NICHHD-Impact of motor connectivity on efficacy of hand therapy	-	-	80,035	41,044	38,991	-	-	-
NIA-Plasticity in Aging	-	-	516,869	285,563	231,306	-	-	-
Total federal grants	-	-	5,909,992	2,888,796	1,941,571	1,079,625	-	-
Totals	<u>\$ 1,543,357</u>	<u>\$ 3,001,412</u>	<u>\$ 5,909,992</u>	<u>\$ 4,906,655</u>	<u>\$ 2,084,888</u>	<u>\$ 1,504,579</u>	<u>\$ (106,947)</u>	<u>\$ 1,851,692</u>

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2013

ASSETS	<u>Hospital</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
CURRENT ASSETS						
Cash and cash equivalents	\$ 11,392,266	\$ 3,955,881	\$ 2,180,668	\$ 17,528,815	\$ -	\$ 17,528,815
Short investments	760,261	-	-	760,261	-	760,261
Assets whose use is limited required for current liabilities	764,775	-	-	764,775	-	764,775
Accounts receivable for services to patients - net	7,725,841	-	-	7,725,841	-	7,725,841
Third Party receivables	2,746,835	-	-	2,746,835	-	2,746,835
Prepaid expenses	1,538,442	-	88,803	1,627,245	-	1,627,245
Inventory of supplies	509,062	-	-	509,062	-	509,062
Due from affiliated organizations	391,267	-	32,012	423,279	(423,279)	-
Other receivables	<u>1,383,127</u>	<u>14,875</u>	<u>1,425,745</u>	<u>2,823,747</u>	<u>-</u>	<u>2,823,747</u>
Total current assets	<u>27,211,876</u>	<u>3,970,756</u>	<u>3,727,228</u>	<u>34,909,860</u>	<u>(423,279)</u>	<u>34,486,581</u>
ASSETS WHOSE USE IS LIMITED						
Foundation funds	-	97,005,718	-	97,005,718	-	97,005,718
Trusted funds	25,411,971	-	-	25,411,971	-	25,411,971
Self-insurance trust	2,544,780	-	-	2,544,780	-	2,544,780
Restricted use cash	217,775	-	-	217,775	-	217,775
Depreciation fund	31,776	-	-	31,776	-	31,776
Donor-restricted long-term investments	<u>2,986,897</u>	<u>-</u>	<u>-</u>	<u>2,986,897</u>	<u>-</u>	<u>2,986,897</u>
	31,193,199	97,005,718	-	128,198,917	-	128,198,917
Less: assets whose use is limited required for current liabilities	<u>(764,775)</u>	<u>-</u>	<u>-</u>	<u>(764,775)</u>	<u>-</u>	<u>(764,775)</u>
	30,428,424	97,005,718	-	127,434,142	-	127,434,142
Deferred financing costs - net	-	-	95,514	95,514	-	95,514
Interest rate cap	-	-	39,155	39,155	-	39,155
Property, plant and equipment - net	<u>23,357,333</u>	<u>-</u>	<u>9,968,723</u>	<u>33,326,056</u>	<u>-</u>	<u>33,326,056</u>
Total assets	<u>\$ 80,997,633</u>	<u>\$ 100,976,474</u>	<u>\$ 13,830,620</u>	<u>\$ 195,804,727</u>	<u>\$ (423,279)</u>	<u>\$ 195,381,448</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2013

LIABILITIES AND NET ASSETS	<u>Hospital</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
CURRENT LIABILITIES						
Accounts payable	\$ 2,629,059	\$ 195,917	\$ 669,973	\$ 3,494,949	\$ -	\$ 3,494,949
Accrued expenses	2,490,179	-	853,012	3,343,191	-	3,343,191
Current portion of long-term debt	235,921	-	347,461	583,382	-	583,382
Estimated self-insurance liabilities	547,000	-	-	547,000	-	547,000
Refundable advances	-	-	1,851,692	1,851,692	-	1,851,692
Accrued retirement benefits	137,523	-	-	137,523	-	137,523
Due to affiliated organizations	-	423,279	-	423,279	(423,279)	-
Total current liabilities	<u>6,039,682</u>	<u>619,196</u>	<u>3,722,138</u>	<u>10,381,016</u>	<u>(423,279)</u>	<u>9,957,737</u>
Long-term debt, net of current portion	870,345	-	5,559,372	6,429,717	-	6,429,717
Estimated self-insurance liabilities, net of current portion	2,569,456	-	-	2,569,456	-	2,569,456
Accrued retirement benefits	30,494,278	-	-	30,494,278	-	30,494,278
Total liabilities	<u>39,973,761</u>	<u>619,196</u>	<u>9,281,510</u>	<u>49,874,467</u>	<u>(423,279)</u>	<u>49,451,188</u>
NET ASSETS						
Unrestricted	37,585,614	100,357,278	4,549,110	142,492,002	-	142,492,002
Temporarily restricted	2,650,673	-	-	2,650,673	-	2,650,673
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	<u>41,023,872</u>	<u>100,357,278</u>	<u>4,549,110</u>	<u>145,930,260</u>	<u>-</u>	<u>145,930,260</u>
Total liabilities and net assets	<u>\$ 80,997,633</u>	<u>\$ 100,976,474</u>	<u>\$ 13,830,620</u>	<u>\$ 195,804,727</u>	<u>\$ (423,279)</u>	<u>\$ 195,381,448</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2012

ASSETS	<u>Hospital</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
CURRENT ASSETS						
Cash and cash equivalents	\$ 13,680,444	\$ 7,855,311	\$ 1,180,354	\$ 22,716,109	\$ -	\$ 22,716,109
Short investments	5,011,105	-	-	5,011,105	-	5,011,105
Assets whose use is limited required for current liabilities	663,938	-	-	663,938	-	663,938
Accounts receivable for services to patients - net	8,019,667	-	-	8,019,667	-	8,019,667
Prepaid expenses	1,338,010	-	64,426	1,402,436	-	1,402,436
Inventory of supplies	474,384	-	-	474,384	-	474,384
Due from affiliated organizations	-	218,594	839,339	1,057,933	(1,057,933)	-
Other receivables	1,616,561	7,635	1,008,228	2,632,424	-	2,632,424
Total current assets	<u>30,804,109</u>	<u>8,081,540</u>	<u>3,092,347</u>	<u>41,977,996</u>	<u>(1,057,933)</u>	<u>40,920,063</u>
ASSETS WHOSE USE IS LIMITED						
Foundation funds	-	83,556,588	-	83,556,588	-	83,556,588
Trusteed funds	21,283,333	-	-	21,283,333	-	21,283,333
Self-insurance trust	2,584,062	-	-	2,584,062	-	2,584,062
Restricted use cash	199,938	-	-	199,938	-	199,938
Depreciation fund	31,776	-	-	31,776	-	31,776
Donor-restricted long-term investments	2,577,276	-	-	2,577,276	-	2,577,276
	<u>26,676,385</u>	<u>83,556,588</u>	<u>-</u>	<u>110,232,973</u>	<u>-</u>	<u>110,232,973</u>
Less: assets whose use is limited required for current liabilities	<u>(663,938)</u>	<u>-</u>	<u>-</u>	<u>(663,938)</u>	<u>-</u>	<u>(663,938)</u>
	26,012,447	83,556,588	-	109,569,035	-	109,569,035
Deferred financing costs - net	-	-	101,105	101,105	-	101,105
Interest rate cap	-	-	23,815	23,815	-	23,815
Property, plant and equipment - net	24,088,567	-	10,313,229	34,401,796	-	34,401,796
Total assets	<u>\$ 80,905,123</u>	<u>\$ 91,638,128</u>	<u>\$ 13,530,496</u>	<u>\$ 186,073,747</u>	<u>\$ (1,057,933)</u>	<u>\$ 185,015,814</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2012

LIABILITIES AND NET ASSETS	<u>Hospital</u>	<u>Foundation</u>	<u>Institute</u>	<u>Total</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
CURRENT LIABILITIES						
Accounts payable	\$ 2,732,440	\$ 26,481	\$ 729,058	\$ 3,487,979	\$ -	\$ 3,487,979
Accrued expenses	2,326,711	-	437,404	2,764,115	-	2,764,115
Current portion of long-term debt	222,407	-	347,461	569,868	-	569,868
Estimated self-insurance liabilities	464,000	-	-	464,000	-	464,000
Estimated amounts due to third-party payors - net	2,815,850	-	-	2,815,850	-	2,815,850
Refundable advances	-	-	1,543,357	1,543,357	-	1,543,357
Accrued retirement benefits	127,730	-	-	127,730	-	127,730
Due to affiliated organizations	<u>1,057,933</u>	<u>-</u>	<u>-</u>	<u>1,057,933</u>	<u>(1,057,933)</u>	<u>-</u>
Total current liabilities	<u>9,747,071</u>	<u>26,481</u>	<u>3,057,280</u>	<u>12,830,832</u>	<u>(1,057,933)</u>	<u>11,772,899</u>
Long-term debt, net of current portion	1,106,267	-	5,906,833	7,013,100	-	7,013,100
Estimated self-insurance liabilities, net of current portion	2,403,919	-	-	2,403,919	-	2,403,919
Accrued retirement benefits	<u>47,766,893</u>	<u>-</u>	<u>-</u>	<u>47,766,893</u>	<u>-</u>	<u>47,766,893</u>
Total liabilities	<u>61,024,150</u>	<u>26,481</u>	<u>8,964,113</u>	<u>70,014,744</u>	<u>(1,057,933)</u>	<u>68,956,811</u>
NET ASSETS						
Unrestricted	17,060,218	91,611,647	4,566,383	113,238,248	-	113,238,248
Temporarily restricted	2,033,170	-	-	2,033,170	-	2,033,170
Permanently restricted	<u>787,585</u>	<u>-</u>	<u>-</u>	<u>787,585</u>	<u>-</u>	<u>787,585</u>
Total net assets	<u>19,880,973</u>	<u>91,611,647</u>	<u>4,566,383</u>	<u>116,059,003</u>	<u>-</u>	<u>116,059,003</u>
Total liabilities and net assets	<u>\$ 80,905,123</u>	<u>\$ 91,638,128</u>	<u>\$ 13,530,496</u>	<u>\$ 186,073,747</u>	<u>\$ (1,057,933)</u>	<u>\$ 185,015,814</u>

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidating Statement of Operations

For the year ended December 31, 2013

	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS						
REVENUES						
Net patient service revenue	\$ 63,332,678	\$ -	\$ -	\$ 63,332,678	\$ -	\$ 63,332,678
Grant revenue	-	-	12,775,478	12,775,478	(4,279,772)	8,495,706
Other revenue	7,915,787	-	115,135	8,030,922	(2,512,324)	5,518,598
Medicare technology stimulus revenue	1,723,232	-	-	1,723,232	-	1,723,232
Net assets released from restrictions - operations	262,311	-	-	262,311	-	262,311
Total revenues	73,234,008	-	12,890,613	86,124,621	(6,792,096)	79,332,525
EXPENSES						
Salaries and wages	40,727,068	-	5,196,595	45,923,663	-	45,923,663
Supplies and expenses	14,213,544	6,473,475	6,003,622	26,690,641	(6,792,096)	19,898,545
Employee benefits	14,941,122	-	1,606,275	16,547,397	-	16,547,397
Depreciation and amortization	3,935,074	-	1,353,585	5,288,659	-	5,288,659
Provision for bad debts	268,465	-	-	268,465	-	268,465
Interest	73,511	-	119,343	192,854	-	192,854
Total expenses	74,158,784	6,473,475	14,279,420	94,911,679	(6,792,096)	88,119,583
Loss from operations	(924,776)	(6,473,475)	(1,388,807)	(8,787,058)	-	(8,787,058)
NONOPERATING GAINS AND (LOSSES) - NET						
Contributions	252,421	580,504	5,245	838,170	-	838,170
Change in fair value of interest rate cap	-	-	15,340	15,340	-	15,340
Unrestricted income on investments	505,395	1,964,425	-	2,469,820	-	2,469,820
Realized gains (losses) on investments - net	844,653	4,984,715	-	5,829,368	-	5,829,368
Change in unrealized gains and losses on trading securities	2,241,837	8,489,422	-	10,731,259	-	10,731,259
Nonoperating income - net	3,844,306	16,019,066	20,585	19,883,957	-	19,883,957
Excess of revenue (deficiency in) and gains over expenses and losses	2,919,530	9,545,591	(1,368,222)	11,096,899	-	11,096,899
OTHER CHANGES IN UNRESTRICTED NET ASSETS						
Net assets released from restrictions - capital acquisition	149,135	-	550,989	700,124	-	700,124
Other accrued retirement benefit adjustment	17,456,731	-	-	17,456,731	-	17,456,731
Transfers from (to) affiliates	-	(799,960)	799,960	-	-	-
Increase (decrease) in unrestricted net assets	\$ 20,525,396	\$ 8,745,631	\$ (17,273)	\$ 29,253,754	\$ -	\$ 29,253,754

The accompanying notes are an integral part of these consolidated financial statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidating Statement of Operations

For the year ended December 31, 2012

	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS						
REVENUES						
Net patient service revenue	\$ 64,289,031	\$ -	\$ -	\$ 64,289,031	\$ -	\$ 64,289,031
Grant revenue	-	-	11,641,589	11,641,589	(4,097,873)	7,543,716
Other revenue	8,190,142	-	86,677	8,276,819	(2,624,414)	5,652,405
Net assets released from restrictions - operations	169,653	-	-	169,653	-	169,653
Total revenues	72,648,826	-	11,728,266	84,377,092	(6,722,287)	77,654,805
EXPENSES						
Salaries and wages	39,937,483	-	4,805,243	44,742,726	-	44,742,726
Supplies and expenses	12,916,610	5,622,003	5,383,185	23,921,798	(6,722,287)	17,199,511
Employee benefits	16,978,766	-	1,433,209	18,411,975	-	18,411,975
Depreciation and amortization	3,893,886	-	1,339,343	5,233,229	-	5,233,229
Provision for bad debts	221,967	-	-	221,967	-	221,967
Interest	86,283	-	129,418	215,701	-	215,701
Total expenses	74,034,995	5,622,003	13,090,398	92,747,396	(6,722,287)	86,025,109
Loss from operations	(1,386,169)	(5,622,003)	(1,362,132)	(8,370,304)	-	(8,370,304)
NONOPERATING GAINS AND (LOSSES) - NET						
Contributions	96,752	461,883	5,625	564,260	-	564,260
Change in fair value of interest rate cap	-	-	(62,839)	(62,839)	-	(62,839)
Unrestricted income on investments	598,281	1,580,068	-	2,178,349	-	2,178,349
Realized gains (losses) on investments - net	896,527	5,638,722	-	6,535,249	-	6,535,249
Change in unrealized gains and losses on trading securities	709,145	1,940,664	-	2,649,809	-	2,649,809
Nonoperating income (loss) - net	2,300,705	9,621,337	(57,214)	11,864,828	-	11,864,828
Excess of revenue (deficiency in) and gains over expenses and losses	914,536	3,999,334	(1,419,346)	3,494,524	-	3,494,524
OTHER CHANGES IN UNRESTRICTED NET ASSETS						
Net assets released from restrictions - capital acquisition	173,047	-	221,517	394,564	-	394,564
Other accrued retirement benefit adjustment	2,661,378	-	-	2,661,378	-	2,661,378
Transfers from (to) affiliates	-	(420,415)	420,415	-	-	-
Increase (decrease) in unrestricted net assets	\$ 3,748,961	\$ 3,578,919	\$ (777,414)	\$ 6,550,466	\$ -	\$ 6,550,466

The accompanying notes are an integral part of these consolidated financial statements.