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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

December 31, 2012 and 2011

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

TABLE OF CONTENTS

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

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, 2012 and 2011, and the related consolidated statements of operations, consolidated 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, 2012 and 2011, 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 42 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 28, 2013

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidated Statements of Financial Position
As of December 31, 2012 and 2011

ASSETS	**2012**	**2011**
CURRENT ASSETS		
Cash and cash equivalents	$ 22,716,109	$ 12,325,303
Short-term investments	5,011,105	6,000,505
Assets whose use is limited required for current liabilities	663,938	568,515
Accounts receivable for services to patients - less allowance for uncollectible accounts of $1,339,000 in 2012 and $1,624,000 in 2011	8,019,667	8,446,717
Prepaid expenses	1,402,436	1,358,270
Inventory of supplies	474,384	534,513
Other receivables	2,632,424	2,388,155
Total current assets	40,920,063	31,621,978
Assets whose use is limited		
Foundation funds	83,556,588	87,201,913
Trusteed funds	21,283,333	19,863,975
Self-insurance trust	2,584,062	2,484,867
Restricted use cash	199,938	175,515
Depreciation fund	31,776	31,779
Donor-restricted long-term investments	2,577,276	2,330,540
	110,232,973	112,088,589
Less: assets whose use is limited required for current liabilities	(663,938)	(568,515)
	109,569,035	111,520,074
Deferred financings costs, net	101,105	106,695
Interest rate cap	23,815	86,653
Property, plant and equipment, net	34,401,796	35,287,243
Total assets	$185,015,814	$178,622,643
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 3,487,979	$ 2,333,576
Accrued expenses	2,764,115	2,952,861
Current portion of long-term debt	569,868	557,128
Estimated self-insurance liabilities	464,000	393,000
Estimated amounts due to third-party payors - net	2,815,850	1,975,124
Refundable advances	1,543,357	689,379
Accrued retirement benefits	127,730	137,521
Total current liabilities	11,772,899	9,038,589
Long-term debt, net of current portion	7,013,100	7,582,968
Estimated self-insurance liabilities, net of current portion	2,403,919	2,508,436
Accrued retirement benefits	47,766,893	50,183,342
Total liabilities	68,956,811	69,313,335
NET ASSETS		
Unrestricted	113,238,248	106,687,782
Temporarily restricted	2,033,170	1,833,941
Permanently restricted	787,585	787,585
Total net assets	116,059,003	109,309,308
Total liabilities and net assets	$185,015,814	$178,622,643

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Revenues:		
Net patient service revenue	$ 64,289,031	$ 62,684,442
Grant revenue	7,543,716	5,980,803
Other revenue	5,652,405	7,004,007
Net assets released from restrictions - operations	169,653	211,152
Total revenues	77,654,805	75,880,404
Expenses:		
Salaries and wages	44,742,726	44,508,574
Supplies and expenses	17,199,511	18,036,404
Employee benefits	18,411,975	16,674,245
Depreciation and amortization	5,233,229	5,112,556
Provision for bad debts	221,967	666,498
Interest	215,701	227,849
Total expenses	86,025,109	85,226,126
Loss from operations	(8,370,304)	(9,345,722)
NONOPERATING GAINS AND (LOSSES), NET		
Contributions	564,260	500,083
Change in fair value of interest rate cap	(62,839)	(345,347)
Unrestricted income on investments	2,178,349	1,826,647
Realized gains (losses) on investments - net	6,535,249	(278,151)
Change in unrealized gains and losses on trading securities	2,649,809	(6,055,078)
Nonoperating income (loss), net	11,864,828	(4,351,846)
Excess of (deficiency in) revenue and gains over expenses and losses	3,494,524	(13,697,568)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisition	394,564	192,216
Other accrued retirement benefits adjustment	2,661,378	(18,080,296)
Increase (decrease) in unrestricted net assets	$ 6,550,466	$ (31,585,648)

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

For the years ended December 31, 2012 and 2011

	2012	2011
UNRESTRICTED NET ASSETS		
Excess of (deficiency in) revenue and gains over expenses and losses	$ 3,494,524	$ (13,697,568)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisitions	394,564	192,216
Other accrued retirement benefits adjustment	2,661,378	(18,080,296)
Increase (decrease) in unrestricted net assets	6,550,466	(31,585,648)
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	221,517	157,638
Contributions	286,931	199,023
Investment return	254,998	(4,317)
Net assets released from restrictions - operations	(169,653)	(211,152)
Net assets released from restrictions - capital acquisitions	(394,564)	(192,216)
Increase (decrease) in temporarily restricted net assets	199,229	(51,024)
Increase (decrease) in net assets	6,749,695	(31,636,672)
Net assets, beginning of year	109,309,308	140,945,980
Net assets, end of year	$ 116,059,003	$ 109,309,308

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2012 and 2011

	2012	**2011**
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 6,749,695	$ (31,636,672)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	5,233,229	5,112,556
Provision for bad debts	221,967	666,498
Change in unrealized gains and losses on investment securities	(2,649,809)	6,055,078
Change in fair value of interest rate cap	62,838	345,347
Realized (gains) losses on investments - net	(6,535,249)	278,151
Restricted contributions and investment return	(541,929)	(194,706)
Other accrued retirement benefits adjustment	(2,661,378)	18,080,296
Changes in assets and liabilities		
Accounts receivable for services to patients	205,083	(2,457,836)
Prepaid expenses and other assets	(228,306)	3,681,330
Accounts payable	1,154,403	(1,004,359)
Accrued expenses and other current liabilities	665,232	406,697
Self-insurance liabilities	(33,517)	(520,527)
Estimated amounts due to third-party payors - net	840,726	768,290
Accrued retirement benefits	235,138	(46,227)
Net cash provided by (used in) operating activities before trading securities	2,718,123	(466,084)
Change in investments - trading securities	12,030,074	158,573
Net cash provided by (used in) operating activities	14,748,197	(307,511)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment, net	(4,342,192)	(4,059,758)
Net cash used in investing activities	(4,342,192)	(4,059,758)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(557,128)	(843,770)
Restricted contributions and investment return	541,929	194,706
Net cash used in financing activities	(15,199)	(649,064)
Net increase (decrease) in cash and cash equivalents	10,390,806	(5,016,333)
Cash and cash equivalents - beginning of year	12,325,303	17,341,636
Cash and cash equivalents - end of year	$ 22,716,109	$ 12,325,303
Supplemental disclosures of cash flow information:		
Interest paid	$ 215,701	$ 227,849

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

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, and 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 (deficiency in) revenue 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 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 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, 2012 and 2011, decreased by approximately $201,000 and increased $271,000, respectively, as a result of third-party payor settlements recognized from prior years.

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, cogeneration repayment escrow account, self-insurance trust investments, assets whose use is limited under an indenture agreement, a restricted cash fund and amounts set aside for plant replacement purposes (depreciation fund). Assets whose use is limited classified as current are for malpractice 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.

Investments, in general, are exposed to various risks, such as interest rate, credit, and overall market volatility. As such, it is reasonably possible that changes in the values of investments will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position and the consolidated statements of operations and changes in net assets.

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 (deficiency in) 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.

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.

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.

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, 2012 and 2011, was approximately $301,300 and $55,200, respectively.

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 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.

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.

Assets and liabilities measured at fair value are based on one or more of three valuation techniques. The valuation techniques are as follows:

a. Market approach - Prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities
b. Cost approach - Amount that would be required to replace the service capacity of an asset (replacement cost)
c. Income approach - Techniques to convert future amounts to a single present amount based on market expectations (including present value techniques, option-pricing and excess earnings models)

Refer to Note 4 for further disclosure of fair values of financial assets and liabilities.

Due to/from Broker

Due 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 prior year financial statements have been reclassified to conform to the current year presentation.

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 2012 and 2011.

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 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, 2012 and 2011, assets whose use is limited consist of the following:

	December 31,	
	2012	2011
Foundation funds:		
Equity securities	$ 48,539,612	$ 46,638,812
Fixed income	1,067,015	-
Common trust funds/mutual funds	12,467,568	23,333,770
Limited partnerships	21,374,865	15,727,442
Due from broker	107,528	1,501,889
	83,556,588	87,201,913
Trusteed funds:		
Cash and cash equivalents	2,835,804	293,190
Equity securities	11,307,347	10,750,772
Fixed income	1,535,157	-
Common trust funds/mutual funds	1,634,029	7,100,234
Limited partnerships	3,966,769	1,727,440
Due from (to) broker	4,227	(7,661)
	21,283,333	19,863,975
Self-insurance trust:		
Cash and cash equivalents	189,877	227,799
Fixed income	2,394,185	2,257,068
	2,584,062	2,484,867
Restricted use - cash	199,938	175,515
Depreciation fund - cash and cash equivalents	31,776	31,779

	December 31,	
	2012	**2011**
Donor-restricted long term investments:		
Kennedy Duncan Fund:		
Cash and cash equivalents	$ 67,401	$ 139,439
Marketable equity securities	1,368,091	1,135,930
Due from (to) broker	27,947	(3,944)
	1,463,439	1,271,425
Home Health Education Fund:		
Cash and cash equivalents	9,253	17,714
Marketable equity securities	215,795	189,394
Due from (to) broker	2,306	(2,465)
	227,354	204,643
Employee recognition fund - cash equivalents	104,242	103,720
Restricted - cash	782,241	750,752
Total donor-restricted long-term investments	2,577,276	2,330,540
Total assets whose use is limited	$ 110,232,973	$ 112,088,589

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 from (to) broker disclosed in footnote 3:

December 31, 2012	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 26,936,641	$ -	$ -	$ 26,936,641
Fixed income securities	10,007,462	-	-	10,007,462
Equity oriented funds	43,472,906	4,538,977	13,418,962	61,430,845
Limited partnerships	-	20,398,420	4,943,214	25,341,634
Common trust funds/mutual funds	-	14,101,597	-	14,101,597
	80,417,009	39,038,994	18,362,176	137,818,179
Interest rate cap	-	23,815	-	23,815
Total assets	$ 80,417,009	$ 39,062,809	$ 18,362,176	$ 137,841,994

December 31, 2011	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 14,065,211	$ -	$ -	$ 14,065,211
Fixed income securities	8,257,573	-	-	8,257,573
Equity oriented funds	39,352,825	5,489,209	13,872,874	58,714,908
Limited partnerships	-	13,385,551	4,069,331	17,454,882
Common trust funds/mutual funds	-	30,434,004	-	30,434,004
	61,675,609	49,308,764	17,942,205	128,926,578
Interest rate cap	-	86,653	-	86,653
Total assets	$ 61,675,609	$ 49,395,417	$ 17,942,205	$ 129,013,231

For the years ended December 31, 2012 and 2011, purchases and sales of Level 3 investments were transfers between Level 1 and Level 3 investments. The following tables summarize changes in fair values associated with Level 3 investments for the years ended December 31, 2012 and 2011:

Level 3 Investments	Beginning Balance at December 31, 2011	Net Realized and Unrealized Gains (Losses)	Purchases (Contributions)	Sales (Withdrawals)	Ending Balance at December 31, 2012
Equity - oriented funds	$ 13,872,874	$ (453,912)	$ -	$ -	$ 13,418,962
Limited partnerships	4,069,331	626,313	924,499	(676,929)	4,943,214
Total	$ 17,942,205	$ 172,401	$ 924,499	$ (676,929)	$ 18,362,176

Level 3 Investments	Beginning Balance at December 31, 2010	Net Realized and Unrealized Gains (Losses)	Purchases (Contributions)	Sales (Withdrawals)	Ending Balance at December 31, 2011
Equity oriented funds	$ 16,570,031	$ (2,797,157)	$ 2,100,000	$ (2,000,000)	$ 13,872,874
Limited partnerships	2,392,905	655,239	2,140,584	(1,119,397)	4,069,331
Total	$ 18,962,936	$ (2,141,918)	$ 4,240,584	$ (3,119,397)	$ 17,942,205

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 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, 2012 and 2011:

Category	December 31, 2012 Fair Value	December 31, 2011 Fair Value	December 31, 2012 Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup Period/ Remaining Life
Equity oriented funds [a]	$ 17,957,939	$ 19,362,083	$ 152,802	Daily-Annually	60 days	N/A
Common trust funds/mutual funds [b]	14,101,597	30,434,004	-	Bi-Monthly-Quarterly	15 - 95 days	N/A
Limited partnerships [c]	25,341,634	17,454,882	8,150,683	Monthly or at termination of fund	Ranges between 10 - 15 days and no redemption	1 - 5 Years
	$ 57,401,170	$ 67,250,969	$ 8,303,485			

[a] *Equity oriented funds*. Investments are made up of equity investments in various limited liability company's 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, 2012 and 2011:

	2012	2011
Kennedy Duncan Fund	$ 387,585	$ 387,585
Home Health Education Fund	300,000	300,000
Employee Recognition Fund	100,000	100,000
Total	$ 787,585	$ 787,585

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

Endowments - The endowment is composed of three permanently restricted endowments as of December 31, 2012 and 2011, 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 year ended December 31, 2012 and 2011 consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment funds and net assets, December 31, 2010	$ 1,049,201	$ 787,585	$ 1,836,786
Investment returns:			
Investment income	(16,072)	-	(16,072)
Net appreciation	8,897	-	8,897
Total investment loss	(7,175)	-	(7,175)
Appropriation of endowment assets for expenditure	(1,000)	-	(1,000)
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	261,224	-	261,224
Total investment return	253,805	-	253,805
Appropriation of endowment assets for expenditure	(950)	-	(950)
Endowment funds and net assets, December 31, 2012	$ 1,293,881	$ 787,585	$ 2,081,466

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, 2012 and 2011, 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, 2012 and 2011, is as follows:

	2012	2011
Land	$ 176,475	$ 176,475
Land improvements	6,144,259	6,016,983
Buildings	55,307,746	52,912,471
Fixed equipment	27,470,516	27,114,345
Major movable equipment	39,550,014	38,384,363
	128,649,010	124,604,637
Less accumulated depreciation and amortization	(95,144,023)	(89,922,624)
	33,504,987	34,682,013
Construction in progress	896,809	605,230
	$ 34,401,796	$ 35,287,243

Depreciation and amortization expense on property, plant and equipment was $5,233,229 and $5,112,556 at December 31, 2012 and 2011, respectively.

At December 31, 2012 and 2011, included in property, plant and equipment is equipment purchased under a capital lease arrangement with an original cost of $2,882,000. Accumulated amortization on the leased equipment was approximately $732,449 and $583,923 at December 31, 2012 and 2011, respectively.

7. LONG-TERM DEBT

Long-term debt as of December 31 consisted of:

	2012	2011
Term loan	$ 6,254,294	$ 6,601,754
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	1,328,674	1,538,342
	7,582,968	8,140,096
Less current portion	(569,868)	(557,128)
	$ 7,013,100	$ 7,582,968

In March 2010, the Organization entered into an $8,000,000 line of credit, with a financial institution to be used for a construction project. The project being financed is for renovations to the Institute's "Sturgis" building. The total amount borrowed under the line of credit was $7,249,216. In January 2011, at the completion of the construction project, the Organization made a $300,000 principal payment on the line of credit concurrently with its conversion to a term loan. The total amount of the term loan was $6,949,216 and has monthly principal payments beginning in January 2011 of $28,988, with a balloon payment due January 1, 2018 of $4,515,015. The term loan has a variable interest rate based on monthly LIBOR plus 1.75% (1.96% and 2.02% at December 31, 2012 and 2011, 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, in March 2010, the Organization entered into 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 $7,200,000 and $8,000,000 at December 31, 2012 and 2011, 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, 2012 and 2011 was estimated to be $23,815 and $86,653, respectively, and is separately shown as a non-current asset in the balance sheet. 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.

Future minimum payments on the long-term debt as of December 31, 2012, are as follows:

	Term Loan	Capital Lease Obligation
2013	$ 347,856	$ 296,469
2014	347,856	296,469
2015	347,856	296,469
2016	347,856	296,469
2017	347,856	296,469
Thereafter	4,515,015	74,119
Total	6,254,295	1,556,464
Less amount representing interest on capital lease obligation	-	(227,791)
	$ 6,254,295	$ 1,328,673

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 $1,712,000 and $1,654,000 at December 31, 2012 and 2011, 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 $21,000 and $24,000, were calculated as of December 31, 2012 and 2011, 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 $1,135,000 and $1,223,000, for the period coverage as of December 31, 2012 and 2011, 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 3.6% and 4.0% at December 31, 2012 and 2011, 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.

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	
	2012	2011	2012	2011
Obligations and funded status:				
Organization's contributions	$ 6,128,402	$ 5,054,458	$ 99,835	$ 88,088
Benefit payments	(3,062,386)	(2,965,089)	(99,835)	(88,088)
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	(42,304,742)	(43,504,263)	(5,589,881)	(6,816,600)
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	(100,871,642)	(94,321,944)	(5,589,881)	(6,816,600)
Accumulated benefit obligation	(100,826,153)	(85,703,138)	-	-
Fair value of plan assets	58,566,900	50,817,681	-	-
Other accrued retirement benefits adjustment	(771,192)	17,085,052	(1,890,186)	995,244
Service cost	3,798,294	3,150,988	408,279	288,302
Interest cost	4,410,563	4,476,779	355,023	328,616
Expected return on plan assets	(4,222,305)	(4,142,265)	-	-
Amortization of prior service cost	(143,830)	384,206	-	-
Recognized actuarial gain	1,857,351	610,516	-	(823)
Net periodic benefit cost	$ 5,700,073	$ 4,480,224	$ 763,302	$ 616,095

At December 31, 2012, the expected estimated aggregate amount from unrestricted net assets into net periodic benefit cost related to net actuarial loss and prior service cost is $2,682,100 and ($520,999).

Weighted-average assumptions used in determining the benefit obligation at December 31, 2012 and 2011, were as follows:

	Defined Benefit Plans		Other Postretirement Benefits	
Assumptions	**2012**	**2011**	**2012**	**2011**
Weighted-average assumptions used in computing benefit obligation at December 31:				
Discount rate	4.29 %	5.04 %	5.31 %	6.28 %
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	4.75	5.00
Ultimate trend rate in 2012 and forward	-	-	4.75	5.00
Weighted-average assumptions used in computing net periodic benefit cost for the years ended December 31:				
Discount rate	5.04	5.97	5.31	6.28
Expected long-term return on assets	8.00	8.25	-	-
Rate of compensation increase	2.50	3.25	-	-
Initial health care cost trend rate	-	-	4.75	5.00
Ultimate trend rate in 2012 and forward	-	-	4.75	5.00

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, 2012 and 2011 is as follows:

	2012	**2011**
Equity securities	34 %	36 %
Common trusts funds/mutual funds	41	45
Cash and cash equivalents	11	2
Limited partnerships	14	17
	100 %	100 %

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, 2012 and 2011:

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

December 31, 2011	Level 1	Level 2	Level 3	Total
Cash and cash equivalents [a]	$ 1,093,989	$ -	$ -	$ 1,093,989
Equity securities [b]	14,313,313	3,955,459	-	18,268,772
Common trust funds/mutual funds [c]	5,014,019	18,016,742	-	23,030,761
Limited Partnership [d]	-	8,424,159	-	8,424,159
	$ 20,421,321	$ 30,396,360	$ -	$ 50,817,681

(a) Comprised of cash and cash equivalents.
(b) Comprised of various equity securities which include private equity securities, U.S. and foreign large, mid-cap and small-cap equities.
(c) Comprised of debt securities in publicly and privately held mutual funds.
(d) Comprised of investments in limited partnership.

At year end December 31, 2012 and 2011, there were no transfers in our out of Level 3 investments and the plan had unfunded capital commitments of $449,400 and $902,300, respectively.

Target Allocations

The Plan's targeted asset allocation is 75% investment in equities and 25% in cash and fixed investments. As of December 31, 2012, management, investment advisors, the Investment Subcommittee and the Board of Directors were reviewing the Organization's target allocations based on current market fluctuations and objectives of the Plan assets. Subsequent to year end, management allocated their equity security percentage in accordance with the Organizations target allocations.

Contributions

The Organization's required contributions to the defined benefit plans and the postretirement plan in 2013 are approximately $4,536,000 and $128,000, 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**
2013	$5,171,985	$ 127,730
2014	5,522,284	140,645
2015	4,586,467	151,557
2016	4,815,065	169,508
2017	5,053,960	182,870
2018 - 2022	30,611,418	1,218,281

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, 2012 and 2011, was approximately $389,700 and $335,000, 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).

Patient accounts receivable by financial class as a percentage of total patient accounts receivable at December 31, 2012 and 2011, are as follows:

	2012	2011
Medicare	52 %	61 %
Blue Cross	12	8
Medicaid	1	1
Other third-party payors	31	26
Patients	4	4
	100 %	100 %

The Medicare program approximated 66% of net patient service revenue for the years ended December 31, 2012 and 2011.

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, 2012, as follows:

2013	$ 579,000
2014	627,500
2015	538,600
2016	379,700
2017	170,300
Thereafter	44,000
Total	$ 2,339,100

Rental expense amounted to $457,000 and $444,000 for the years ended December 31, 2012 and 2011, 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.

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, 2012 and 2011, are as follows:

	2012	2011
Health care services	$ 47,800,636	$ 48,069,543
General and administrative	31,368,757	30,609,104
Research	6,855,716	6,547,479
Total expenses	$ 86,025,109	$ 85,226,126

13. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2012 consolidated financial statements for subsequent events through May 28, 2013, 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 disclosed in the consolidated financial statements and as follows:

The Organization had capital calls subsequent to December 31, 2012 of $1,075,508, including pension plan assets.

SUPPLEMENTARY INFORMATION

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Net Patient Service Revenue

For the years ended December 31, 2012 and 2011

	2012			2011		
	Inpatient	**Outpatient**	**Total**	**Inpatient**	**Outpatient**	**Total**
ROUTINE PATIENT CARE	$ 62,498,100	$ -	$ 62,498,100	$ 54,983,050	$ -	$ 54,983,050
PHYSICIAN FEES	2,903,484	-	2,903,484	2,666,708	-	2,666,708
OTHER PROFESSIONAL SERVICES						
Radiology - diagnostic	399,797	223,511	623,308	362,920	201,557	564,477
Laboratory	2,896,933	-	2,896,933	2,647,632	-	2,647,632
Electrocardiography	571,439	1,093,050	1,664,489	565,035	874,855	1,439,890
Physical therapy	13,546,948	10,195,853	23,742,801	11,735,474	9,359,009	21,094,483
Respiratory therapy	2,270,203	-	2,270,203	1,329,660	-	1,329,660
Occupational therapy	12,290,576	968,591	13,259,167	11,769,524	908,897	12,678,421
Central services	1,484,883	5,835	1,490,718	1,323,435	4,953	1,328,388
Pharmacy	6,010,636	32,596	6,043,232	4,604,641	32,539	4,637,180
Speech and hearing	2,228,508	608,535	2,837,043	1,807,139	542,548	2,349,687
Orthotics and prosthetics	270,249	(665)	269,584	231,771	665	232,436
Transportation	24,650	-	24,650	29,924	-	29,924
Other	132	393	525	11,342	220	11,562
Total other professional services	41,994,954	13,127,699	55,122,653	36,418,497	11,925,243	48,343,740
Total patient care revenue - gross charges	107,396,538	13,127,699	120,524,237	94,068,255	11,925,243	105,993,498
LESS CONTRACTUAL ALLOWANCES	(49,804,823)	(6,430,383)	(56,235,206)	(37,733,517)	(5,575,539)	(43,309,056)
Net patient service revenue	$ 57,591,715	$ 6,697,316	$ 64,289,031	$ 56,334,738	$ 6,349,704	$ 62,684,442

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Other Revenue and Net Assets Released From Restrictions - Operations

For the years ended December 31, 2012 and 2011

	2012	2011
OTHER REVENUE		
Employees’ benefit contributions	$ 844,179	$ 659,803
Purchase discounts	1,640	4,636
Sale of medical abstracts	4,171	1,540
Community fitness center	531,321	544,174
Rental of space	870,345	783,644
Apartment housing rental	425,494	432,938
Offsite programs	2,850,860	4,550,902
Miscellaneous	124,395	26,370
Total other revenue	$ 5,652,405	$ 7,004,007
NET ASSETS RELEASED FROM RESTRICTIONS - OPERATIONS		
Advanced Biologics Novartis Study	$ 16,878	$ 31,395
Yale Iris Study	-	28,358
ARA Research Institute Study	99	972
Gift Shop	23,857	33,999
Columbia Theophyline	-	-
Wheelchair Athletics	20,831	18,400
Will Rogers Pulmonary Fund	65,000	80,000
Other	42,988	18,028
Net assets released from restrictions - operations	$ 169,653	$ 211,152

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund
For the years ended December 31, 2012 and 2011

	Net Assets December 31, 2011	Contributions	Investments Return	Net Assets Released from Restrictions: Operations	Net Assets Released from Restrictions: Capital Acquisitions	Net Assets December 31, 2012
Audio-visual Laboratory	$ 753	$ -	$ -	$ -	$ -	$ 753
Accorda Studies	-	46,485	-	8,912		37,573
Advanced Biologics Novartis	5,004	11,872	-	16,876	-	-
ARA Research Institute	15,915	-	-	100	-	15,815
Baclofen Study	-	7,495	-	-	-	7,495
Burke Award Dinner	3,108	-	-	3,108	-	-
Burke Gift Shop	317,475	57,735	1,193	23,857	140,472	212,074
Child Care Fund	454	-	-	-	-	454
Design for Disabled	1,772	-	-	-	-	1,772
Employee Recognition	2,603	6,879	523	7,934	-	2,071
Gisondi Alz Rehab	20,000	-	-	-	-	20,000
Heart Monitor Fund	2,773	-	-	-	-	2,773
Home Health Education Fund	52,173	-	22,711	-	-	74,884
IMPAX Spinal Cord Injury	-	-	-	-	-	-
Kennedy Duncan Fund	987,892	-	230,571	-	-	1,218,463
Leahy Pulmonary Fund	106,924	525	-	1,250	-	106,199
Medical Director	39,167	-	-	-	-	39,167
Myerson Equipment Fund	19,499	15,200	-	-	27,575	7,124
Novella Clinic Study	1,000	425	-	-	-	1,425
NYS Grant	-	-	-	-	-	-
Patient Greenhouse Fund	10,563	3,166	-	2,697	5,000	6,032
Prosthetic Fund	32,664	4,500	-	2,840	-	34,324
Quintiles Drug Study — E2020	499	-	-	-	-	499
Raffle Fund	10,771	-	-	10,771	-	-
Reeve Foundation	6,000	-	-	-	-	6,000
Rheumatology	5,879	-	-	-	-	5,879
Social Service	16,917	10,649	-	2,682	-	24,884
Speech and Hearing	10,275	-	-	-	-	10,275
Spinal Cord Studies	-	8,750	-	-	-	8,750
Sports Neurology	7,469	-	-	-	-	7,469
Vocational Education	7,388	60	-	610	-	6,838
Volunteers Fund	11,658	5,000	-	2,185	-	14,473
Wheelchair Athletics	137,346	33,190	-	20,831	-	149,705
Will Rogers Fund	-	75,000	-	65,000	-	10,000
Yale Iris Study	-	-	-	-	-	-
	$ 1,833,941	$ 286,931	$ 254,998	$ 169,653	$ 173,047	$ 2,033,170

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2012 and 2011

MEDICAL REHABILITATION SERVICES	2012 Salaries and Wages	2012 Supplies and Other Expenses	2012 Total	2011 Salaries and Wages	2011 Supplies and Other Expenses	2011 Total
NURSING AND MEDICAL						
General nursing	$ 12,736,671	$ 491,511	$ 13,228,182	$ 12,663,777	$ 486,388	$ 13,150,165
Medical services	6,855,213	994,613	7,849,826	7,682,246	932,785	8,615,031
Admitting	248,651	7,501	256,152	239,494	9,061	248,555
General services	85,746	327,625	413,371	83,139	308,271	391,410
Total nursing and medical	19,926,281	1,821,250	21,747,531	20,668,656	1,736,505	22,405,161
OTHER PROFESSIONAL						
Radiology - diagnostic	218,179	162,624	380,803	211,902	138,736	350,638
Laboratory	-	821,242	821,242	-	754,729	754,729
Electrocardiography	210,708	54,697	265,405	205,992	63,206	269,198
Physical therapy	4,546,825	187,288	4,734,113	4,501,024	160,769	4,661,793
Occupational therapy	2,636,764	81,324	2,718,088	2,645,223	71,048	2,716,271
Pharmacy	886,468	1,306,412	2,192,880	874,154	1,384,650	2,258,804
Speech and hearing	800,758	17,592	818,350	624,416	189,944	814,360
Orthotics and prosthetics	-	230,475	230,475	-	179,950	179,950
Medical records	298,920	45,765	344,685	323,604	80,737	404,341
Social service	889,366	22,140	911,506	846,056	19,995	866,051
Total other professional	10,487,988	2,929,559	13,417,547	10,232,371	3,043,764	13,276,135
AMBULATORY CARE	88,887	1,008	89,895	91,134	809	91,943
GENERAL SERVICES						
Dietary	1,357,307	1,118,623	2,475,930	1,331,157	1,053,773	2,384,930
Operation and maintenance of plant	1,838,090	2,159,472	3,997,562	1,784,322	2,262,525	4,046,847
Housekeeping	1,037,410	408,530	1,445,940	1,030,195	362,788	1,392,983
Laundry and linen	108,842	10,990	119,832	111,191	3,404	114,595
Total general services	4,341,649	3,697,615	8,039,264	4,256,865	3,682,490	7,939,355

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2012 and 2011

MEDICAL REHABILITATION SERVICES	2012 Salaries and Wages	2012 Supplies and Other Expenses	2012 Total	2011 Salaries and Wages	2011 Supplies and Other Expenses	2011 Total
ADMINISTRATIVE AND FISCAL SERVICES						
Executive office	$ 527,415	$ 1,231,317	$ 1,758,732	$ 517,688	$ 1,343,117	$ 1,860,805
Fiscal office	2,122,756	442,129	2,564,885	2,030,730	431,506	2,462,236
Personnel	506,716	279,735	786,451	433,813	316,915	750,728
Purchasing and storeroom	219,916	5,386	225,302	214,262	4,819	219,081
Communication	117,948	120,125	238,073	118,823	115,258	234,081
Volunteer service	71,154	15,395	86,549	67,867	17,782	85,649
Data processing	933,300	837,473	1,770,773	865,607	687,208	1,552,815
Insurance	-	696,756	696,756	-	1,559,830	1,559,830
Public relations	153,411	629,973	783,384	139,762	571,751	711,513
Development	439,226	208,829	648,055	180,469	35,792	216,261
Managed care	836	60	896	1,819	3,544	5,363
Total administrative and fiscal services	5,092,678	4,467,178	9,559,856	4,570,840	5,087,522	9,658,362
PROVISION FOR BAD DEBTS	-	221,967	221,967	-	666,498	666,498
EMPLOYEE BENEFITS						
Pension and other postretirement benefit expenses	-	7,129,321	7,129,321	-	5,528,852	5,528,852
Federal Insurance Contributions Act taxes	-	2,923,160	2,923,160	-	2,913,016	2,913,016
Health insurance	-	6,230,932	6,230,932	-	6,198,574	6,198,574
Workers' compensation insurance	-	589,554	589,554	-	559,634	559,634
Unemployment insurance	-	59,282	59,282	-	45,258	45,258
Disability insurance	-	46,518	46,518	-	43,818	43,818
Total employee benefits	-	16,978,767	16,978,767	-	15,289,152	15,289,152
INTEREST	-	86,283	86,283	-	98,306	98,306
DEPRECIATION AND AMORTIZATION	-	3,893,885	3,893,885	-	3,914,845	3,914,845
Total medical rehabilitation services	$ 39,937,483	$ 34,097,512	$ 74,034,995	$ 39,819,866	$ 33,519,891	$ 73,339,757

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2012 and 2011

	2012			2011		
MEDICAL REHABILITATION SERVICES	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**
FOUNDATION SERVICES						
Grantor services	$ -	$ 5,043,463	$ 5,043,463	$ -	$ 6,059,901	$ 6,059,901
Management and general	-	578,540	578,540	-	625,510	625,510
Total foundation services	-	5,622,003	5,622,003	-	6,685,411	6,685,411
MEDICAL RESEARCH SERVICES						
Medical research	3,138,625	2,775,561	5,914,186	3,000,745	2,799,007	5,799,752
Employee benefits - medical research	-	934,879	934,879	-	886,469	886,469
Management and general	1,666,618	2,607,623	4,274,241	1,687,963	2,707,205	4,395,168
Interest expense	-	129,418	129,418	-	129,543	129,543
Employee benefits - management and general	-	498,330	498,330	-	498,624	498,624
Depreciation	-	1,339,344	1,339,344	-	1,197,711	1,197,711
Total medical research services	4,805,243	8,285,155	13,090,398	4,688,708	8,218,559	12,907,267
Subtotal expenses	44,742,726	48,004,670	92,747,396	44,508,574	48,423,861	92,932,435
CONSOLIDATING ENTRIES	-	(6,722,287)	(6,722,287)	-	(7,706,309)	(7,706,309)
Consolidated expenses	$ 44,742,726	$ 41,282,383	$ 86,025,109	$ 44,508,574	$ 40,717,552	$ 85,226,126

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2012 and 2011

Account Name	Refundable Advances December 31, 2011	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2012
PRIVATE GRANTS								
EISAI- Jordan	$ 1,478	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,478
Columbia Profess Study	11,872	-	-	-	-	-	11,872	-
Lupus Foundation	49,307	-	-	22,420	-	-	-	26,887
Hunter College	405	-	-	-	-	-	-	405
Overbrook	26,191	-	-	10,889	-	-	-	15,302
Cardiac Fund	11,283	-	-	-	-	-	-	11,283
Forrest Pharmaceutical	1,860	-	-	-	-	-	-	1,860
Scallon	157	-	-	-	-	-	-	157
Korean University	57	-	-	-	-	-	-	57
Animal Care Center	45,147	-	-	(42,831)	-	-	-	87,978
Fujisawa Corp	1,265	-	-	-	-	-	-	1,265
Accorda Therapeutics	14,305	-	-	-	-	-	14,305	-
UCSD Coop Study	760	-	-	-	-	-	-	760
Mitro Defects-Gibson	4,249	-	-	-	-	-	-	4,249
Cornell Fellowship	2,138	-	-	-	-	-	-	2,138
Mt. Sinai	21,300	-	-	-	-	-	-	21,300
Dana Foundation	-	100,000	-	-	-	-	100,000	-
Cornell Neuroprotection	-	61,262	-	-	-	-	61,262	-
Hartman Foundation	81,047	-	-	(894)	-	-	-	81,941
Wyeth Acute Stroke Study	-	13,113	-	-	-	-	13,113	-
CTSC Human Variant	1,861	-	-	-	-	-	1,861	-
Fara Micrornas	57,280	-	-	63,854	-	-	(6,574)	-
Hartman Gazaryan	(1,862)	50,000	-	37,564	-	-	10,574	-
Lieberman Fund	1,027	65,436	-	62,603	-	-	-	3,860
IRSF Fund	8,111	-	-	-	-	-	-	8,111
Whitehall Fund	49,889	75,000	-	75,000	-	-	-	49,889
Cornell Goldfine	-	85,500	-	52,282	-	-	33,218	-

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2012 and 2011

Account Name	Refundable Advances December 31, 2011	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2012
Don Sperling Fund	$ 16,005	$ 700	$ -	$ -	$ -	$ -	$ -	$ 16,705
Allen & Co Goldfine	10,000	-	-	-	-	-	-	10,000
Hoffman LaRoche	58,519	-	-	21,884	-	-	-	36,635
Novartis Jordan	44,059	7,019	-	-	-	-	-	51,078
UIC Langley	-	-	-	12,741	-	-	(12,741)	-
Dana Foundation-Elder	-	125,000	-	35,156	-	-	-	89,844
Reeve Foundation	-	37,000	-	58,146	-	8,050	(29,196)	-
Johnson & Johnson	-	141,000	-	26,197	21,220	-	62,402	31,181
Carmel Funds	5,000	340,400	-	17,530	-	-	-	327,870
March of Dimes	-	75,000	-	54,473	5,447	-	-	15,080
Adelson Foundation	418	420,000	-	188,574	-	-	-	231,844
American Diabetes Assoc.	-	108,813	-	81,294	12,194	15,522	(197)	-
Stealth Peptides	-	64,791	-	121,840	24,368	-	(81,417)	-
CHDI Mito Dysfunction	-	80,208	-	119,923	17,988	739	(58,442)	-
US Israel Binational	-	22,475	-	3,749	563	-	-	18,163
Adelson-Langley	188	287,519	-	83,702	-	4,434	-	199,571
Visual Rehab	-	8,000	-	-	-	-	-	8,000
Univ. of Australia	-	9,515	-	9,515	-	-	-	-
Reeve Foundation - Zhong	-	25,000	-	-	-	-	-	25,000
Volpe Research Fund	1,658	-	-	-	-	-	-	1,658
Stroke Research	19,830	1,020	-	2,627	-	-	-	18,223
NYS SCIRB - Langley	-	169,487	-	164,272	32,855	1,565	(29,205)	-
NYS Alzheimer's Disease - Jordan	-	127,085	-	98,545	-	-	28,540	-
Dementia Other	1,844	-	-	975	-	-	-	869
Wood Kalb	8,764	-	-	-	-	-	-	8,764
Alzheimer’s Research	1,341	-	-	-	-	-	-	1,341
Research Fund	11,510	-	-	-	-	-	-	11,510
Medical Directors Fund	26,974	31,475	-	25,020	-	1,954	5,975	25,500

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Refundable Advances and Grant Revenue

For the years ended December 31, 2012 and 2011

Account Name	Refundable Advances December 31, 2011	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2012
Alzheimer's Day Care	$ 9,732	$ -	$ -	$ 9,732	$ -	$ -	$ -	$ -
Goldsmith Foundation	-	-	-	-	-	-	-	-
Goldsmith Foundation A	27,098	75,000	-	49,489	-	1,078	-	51,531
Goldsmith Foundation B	32,442	75,000	-	85,393	-	2,849	-	19,200
Goldsmith Foundation C	20,000	-	-	-	-	-	-	20,000
Dr. I. Foundation	4,870	-	-	-	-	-	-	4,870
Total private grants	689,379	2,681,818	-	1,551,664	114,635	36,191	125,350	1,543,357
FEDERAL GRANTS								
NIA-Mitochondrial Dysfunction in Aging	-	-	1,720,835	513,373	386,569	820,893	-	-
NINDS-Injury and adaptation in the developing rat corticospinal	-	-	165,970	153,676	12,294	-	-	-
NINDS-HDAC6: Target for regeneration following injury	-	-	389,941	202,979	164,411	22,551	-	-
NICHHD-Transcranial Direct Current Stimulation & Robotics	-	-	581,912	242,135	196,129	143,648	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve	-	-	302,239	161,017	130,424	10,798	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve-Supple	-	-	80,598	43,566	37,032	-	-	-
NINDS-Impact of BDNF SNP on stroke-induced plasticity	-	-	38,120	20,606	17,514	-	-	-
NIH-Role of CD36 in Ischemic Inflammation	-	-	486,950	240,846	195,085	51,019	-	-
NIMH-Allelic Choice in Rett Syndrome	-	-	464,258	264,836	199,422	-	-	-
NEI-Retinal Neural Processing During Retinal Degenerative	-	-	420,772	240,029	180,743	-	-	-
NEI-Retinal Neural Processing During Retinal Degenerative-Supple	-	-	310,510	149,226	126,842	34,442	-	-
NINR-Axonal Transport Local Translation in Neuropathic Pain	-	-	321,903	183,630	138,273	-	-	-
NIA-Plasticity in Aging	-	-	557,218	307,855	249,363	-	-	-
Total federal grants	-	-	5,841,226	2,723,774	2,034,101	1,083,351	-	-
Totals	$ 689,379	$ 2,681,818	$ 5,841,226	$ 4,275,438	$ 2,148,736	$ 1,119,542	$ 125,350	$ 1,543,357

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

ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
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	30,804,109	8,081,540	3,092,347	41,977,996	(1,057,933)	40,920,063
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
	26,676,385	83,556,588	-	110,232,973	-	110,232,973
Less: assets whose use is limited required for current liabilities	(663,938)	-	-	(663,938)	-	(663,938)
	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	$ 80,905,123	$ 91,638,128	$ 13,530,496	$ 186,073,747	$ (1,057,933)	$ 185,015,814

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

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

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
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	1,057,933	-	-	1,057,933	(1,057,933)	-
Total current liabilities	9,747,071	26,481	3,057,280	12,830,832	(1,057,933)	11,772,899
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	47,766,893	-	-	47,766,893	-	47,766,893
Total liabilities	61,024,150	26,481	8,964,113	70,014,744	(1,057,933)	68,956,811
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	787,585	-	-	787,585	-	787,585
Total net assets	19,880,973	91,611,647	4,566,383	116,059,003	-	116,059,003
Total liabilities and net assets	$ 80,905,123	$ 91,638,128	$ 13,530,496	$ 186,073,747	$ (1,057,933)	$ 185,015,814

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2011

ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
CURRENT ASSETS						
Cash and cash equivalents	$ 8,692,198	$ 1,435,530	$ 2,197,575	$ 12,325,303	$ -	$ 12,325,303
Short investments	6,000,505	-	-	6,000,505	-	6,000,505
Assets whose use is limited required for current liabilities	568,515	-	-	568,515	-	568,515
Accounts receivable for services to patients - net	8,446,717	-	-	8,446,717	-	8,446,717
Prepaid expenses	1,297,831	-	60,439	1,358,270	-	1,358,270
Inventory of supplies	534,513	-	-	534,513	-	534,513
Due from affiliated organizations	1,889,263		-	1,889,263	(1,889,263)	-
Other receivables	898,063	23,521	1,466,571	2,388,155	-	2,388,155
Total current assets	28,327,605	1,459,051	3,724,585	33,511,241	(1,889,263)	31,621,978
ASSETS WHOSE USE IS LIMITED						
Foundation funds	-	87,201,913	-	87,201,913	-	87,201,913
Trusteed funds	19,863,975	-	-	19,863,975	-	19,863,975
Self-insurance trust	2,484,867	-	-	2,484,867	-	2,484,867
Restricted use cash	175,515	-	-	175,515	-	175,515
Depreciation fund	31,779	-	-	31,779	-	31,779
Donor-restricted long-term investments	2,330,540	-	-	2,330,540	-	2,330,540
	24,886,676	87,201,913	-	112,088,589	-	112,088,589
Less: assets whose use is limited required for current liabilities	(568,515)	-	-	(568,515)	-	(568,515)
	24,318,161	87,201,913	-	111,520,074	-	111,520,074
Deferred financing costs - net	-	-	106,695	106,695	-	106,695
Interest rate cap	-	-	86,653	86,653	-	86,653
Property, plant and equipment - net	23,934,734	-	11,352,509	35,287,243	-	35,287,243
Total assets	$ 76,580,500	$ 88,660,964	$ 15,270,442	$ 180,511,906	$ (1,889,263)	$ 178,622,643

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2011

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
CURRENT LIABILITIES						
Accounts payable	$ 1,986,734	$ 37,191	$ 309,651	$ 2,333,576	$ -	$ 2,333,576
Accrued expenses	1,925,216	-	1,027,645	2,952,861	-	2,952,861
Current portion of long-term debt	209,667	-	347,461	557,128	-	557,128
Estimated self-insurance liabilities	393,000	-	-	393,000	-	393,000
Estimated amounts due to third-party payors - net	1,975,124	-	-	1,975,124	-	1,975,124
Refundable advances	-	-	689,379	689,379	-	689,379
Accrued retirement benefits	137,521	-	-	137,521	-	137,521
Due to affiliated organizations	-	591,046	1,298,217	1,889,263	(1,889,263)	-
Total current liabilities	6,627,262	628,237	3,672,353	10,927,852	(1,889,263)	9,038,589
Long-term debt, net of current portion	1,328,675	-	6,254,293	7,582,968	-	7,582,968
Estimated self-insurance liabilities, net of current portion	2,508,436	-	-	2,508,436	-	2,508,436
Accrued retirement benefits	50,183,342	-	-	50,183,342	-	50,183,342
Total liabilities	60,647,715	628,237	9,926,646	71,202,598	(1,889,263)	69,313,335
NET ASSETS						
Unrestricted	13,311,259	88,032,727	5,343,796	106,687,782	-	106,687,782
Temporarily restricted	1,833,941	-	-	1,833,941	-	1,833,941
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	15,932,785	88,032,727	5,343,796	109,309,308	-	109,309,308
Total liabilities and net assets	$ 76,580,500	$ 88,660,964	$ 15,270,442	$ 180,511,906	$ (1,889,263)	$ 178,622,643

The accompanying notes are an integral part of these consolidated 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	-	-	-
(Decrease) increase 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 statements.

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statement of Operations
For the year ended December 31, 2011

	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS						
REVENUES						
Net patient service revenue	$ 62,684,442	$ -	$ -	$ 62,684,442	$ -	$ 62,684,442
Grant revenue	-	-	11,629,437	11,629,437	(5,648,634)	5,980,803
Other revenue	8,992,188	-	69,494	9,061,682	(2,057,675)	7,004,007
Net assets released from restrictions - operations	211,152	-	-	211,152	-	211,152
Total revenues	71,887,782	-	11,698,931	83,586,713	(7,706,309)	75,880,404
EXPENSES						
Salaries and wages	39,819,866	-	4,688,708	44,508,574	-	44,508,574
Supplies and expenses	13,551,090	6,685,411	5,506,212	25,742,713	(7,706,309)	18,036,404
Employee benefits	15,289,152	-	1,385,093	16,674,245	-	16,674,245
Depreciation and amortization	3,914,845	-	1,197,711	5,112,556	-	5,112,556
Provision for bad debts	666,498	-	-	666,498	-	666,498
Interest	98,306	-	129,543	227,849	-	227,849
Total expenses	73,339,757	6,685,411	12,907,267	92,932,435	(7,706,309)	85,226,126
Loss from operations	(1,451,975)	(6,685,411)	(1,208,336)	(9,345,722)	-	(9,345,722)
NONOPERATING GAINS AND LOSSES, NET						
Contributions	248,326	251,757	-	500,083	-	500,083
Change in fair value of interest rate cap	-	-	(345,347)	(345,347)	-	(345,347)
Unrestricted income on investments	594,286	1,232,361	-	1,826,647	-	1,826,647
Realized (losses) gains on investments - net	(1,558,417)	1,280,266	-	(278,151)	-	(278,151)
Change in unrealized gains and losses on trading securities	(55,802)	(5,999,276)	-	(6,055,078)	-	(6,055,078)
Nonoperating (loss) income - net	(771,607)	(3,234,892)	(345,347)	(4,351,846)	-	(4,351,846)
Excess of revenue (deficiency in) and gains over expenses and losses	(2,223,582)	(9,920,303)	(1,553,683)	(13,697,568)	-	(13,697,568)
OTHER CHANGES IN UNRESTRICTED NET ASSETS						
Net assets released from restrictions - capital acquisition	34,578	-	157,638	192,216	-	192,216
Other accrued retirement benefit adjustment	(18,080,296)	-	-	(18,080,296)	-	(18,080,296)
Transfers from (to) affiliates	-	(671,743)	671,743	-	-	-
(Decrease) increase in unrestricted net assets	$ (20,269,300)	$ (10,592,046)	$ (724,302)	$ (31,585,648)	$ -	$ (31,585,648)

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