

CONSOLIDATED FINANCIAL STATEMENTS,
SUPPLEMENTARY INFORMATION, AND
REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

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

December 31, 2010 and 2009

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of
The Winifred Masterson Burke Rehabilitation Hospital

We have audited the accompanying consolidated statements of financial position of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries (the “Organization”) as of December 31, 2010 and 2009, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization’s management. 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 as established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries as of December 31, 2010 and 2009, and the results of their operations, changes in their net assets, and their cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements taken as a whole. The supplementary information as listed on the table of contents and presented on pages 29 through 37 are presented for the purpose of additional analysis and are not a required part of the basic consolidated financial statements. The supplementary consolidating schedules as listed on the table of contents and presented on pages 38 through 43 are presented for the purpose of additional analysis of the consolidated financial statements rather than to present the financial position and results of operations of the individual companies and are not a required part of the consolidated financial statements. The supplementary information and consolidating schedules are the responsibility of the Organization's management. Such information has been subjected to the auditing procedures applied in our audits of the consolidated financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the consolidated financial statements taken as a whole.

Grant Thornton LLP

New York, New York
May 20, 2011

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

December 31,

ASSETS	<u>2010</u>	<u>2009</u>
Current assets:		
Cash and cash equivalents	\$ 18,342,141	\$ 21,124,772
Assets whose use is limited required for current liabilities	1,156,741	886,045
Accounts receivable for services to patients - less allowance for uncollectible accounts of \$1,600,000 in 2010 and \$1,700,000 in 2009	6,655,379	6,489,879
Prepaid expenses	1,306,756	1,027,764
Inventory of supplies	493,968	472,272
Other receivables	6,161,544	3,611,396
Total current assets	<u>34,116,529</u>	<u>33,612,128</u>
Assets whose use is limited:		
Foundation funds	96,916,249	86,928,150
Trusteed funds	20,616,778	18,429,127
Cogeneration repayment escrow account	-	101
Self-insurance trust	3,376,887	3,170,912
Restricted use cash	156,741	130,045
Depreciation fund	31,850	31,776
Donor-restricted long-term investments	2,481,886	2,198,075
	<u>123,580,391</u>	<u>110,888,186</u>
Less: assets whose use is limited required for current liabilities	<u>(1,156,741)</u>	<u>(886,045)</u>
	122,423,650	110,002,141
Deferred financings costs, net	543,822	-
Property, plant and equipment, net	36,334,914	32,372,444
Total assets	<u>\$ 193,418,915</u>	<u>\$ 175,986,713</u>
LIABILITIES AND NET ASSETS		
Current liabilities:		
Accounts payable	\$ 3,337,935	\$ 2,223,809
Accrued expenses	2,619,304	2,706,585
Current portion of long-term debt	843,950	179,662
Estimated self-insurance liabilities	1,000,000	756,000
Estimated amounts due to third-party payors - net	1,206,834	2,157,216
Refundable advances	616,239	792,703
Accrued retirement benefits	123,105	118,414
Total current liabilities	<u>9,747,367</u>	<u>8,934,389</u>
Long term debt, net of current portion	8,139,916	1,734,650
Estimated self-insurance liabilities, net of current portion	2,421,963	2,609,994
Accrued retirement benefits	32,163,689	31,064,680
Total liabilities	<u>52,472,935</u>	<u>44,343,713</u>
Net assets:		
Unrestricted	138,273,430	129,385,663
Temporarily restricted	1,884,965	1,469,752
Permanently restricted	787,585	787,585
Total net assets	<u>140,945,980</u>	<u>131,643,000</u>
Total liabilities and net assets	<u>\$ 193,418,915</u>	<u>\$ 175,986,713</u>

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,

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
Revenues		
Net patient service revenue	\$ 59,779,011	\$ 61,622,119
Grant revenue	6,653,066	8,146,193
Other revenue	7,010,936	6,723,500
Net assets released from restrictions - operations	<u>189,759</u>	<u>242,761</u>
Total revenues	<u>73,632,772</u>	<u>76,734,573</u>
Expenses		
Salaries and wages	43,956,831	42,297,581
Supplies and expenses	18,003,332	19,206,326
Employee benefits	16,058,999	17,163,720
Depreciation and amortization	4,862,715	5,005,104
Provision for bad debts	398,010	594,046
Interest	<u>109,394</u>	<u>191,832</u>
Total expenses	<u>83,389,281</u>	<u>84,458,609</u>
Loss from operations	<u>(9,756,509)</u>	<u>(7,724,036)</u>
Nonoperating gains, net:		
Contributions	966,503	587,407
Income from donor-restricted long-term investments	14,104	14,438
Unrestricted income on investments	1,703,811	1,805,537
Realized gains on investments - net	7,196,221	9,069,303
Change in unrealized gains and losses on trading securities	3,699,349	9,886,790
Equity earnings from limited partnerships	<u>4,010,740</u>	<u>3,091,822</u>
Nonoperating gains, net	<u>17,590,728</u>	<u>24,455,297</u>
Excess of revenues and nonoperating gains over expenses	7,834,219	16,731,261
Other changes in unrestricted net assets:		
Reclassification for NYPMIFA	(381,389)	-
Net assets released from restrictions - capital acquisition	545,989	937,000
Other accrued retirement benefits adjustment	<u>888,948</u>	<u>4,799,899</u>
Increase in unrestricted net assets	<u>\$ 8,887,767</u>	<u>\$ 22,468,160</u>

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,

	<u>2010</u>	<u>2009</u>
Unrestricted net assets:		
Excess of revenues and nonoperating gains over expenses	\$ 7,834,219	\$ 16,731,261
Other changes in unrestricted net assets:		
Reclassification for NYPMIFA	(381,389)	-
Net assets released from restrictions - capital acquisitions	545,989	937,000
Other accrued retirement benefits adjustment	888,948	4,799,899
	<u>8,887,767</u>	<u>22,468,160</u>
Increase in unrestricted net assets		
Temporarily restricted net assets:		
Reclassification for NYPMIFA	381,389	-
Restricted grants	483,805	920,503
Contributions	229,152	311,553
Investment return	56,615	63,349
Net assets released from restrictions - operations	(189,759)	(242,761)
Net assets released from restrictions - capital acquisitions	(545,989)	(937,000)
	<u>415,213</u>	<u>115,644</u>
Increase in temporarily restricted net assets		
Increase in net assets	9,302,980	22,583,804
Net assets, beginning of year	<u>131,643,000</u>	<u>109,059,196</u>
Net assets, end of year	<u>\$ 140,945,980</u>	<u>\$ 131,643,000</u>

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 year ended December 31,

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities		
Increase in net assets	\$ 9,302,980	\$ 22,583,804
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	4,862,715	5,005,104
Provision for bad debts	398,010	594,046
Change in unrealized gains and losses on investment securities	(3,699,349)	(9,886,790)
Equity earnings from limited partnerships	(4,010,740)	(3,091,822)
Realized gains on investments - net	(7,196,221)	(9,069,303)
Restricted contributions and investment return	(285,767)	(374,902)
Other accrued retirement benefits adjustment	(888,948)	(4,799,899)
Changes in assets and liabilities:		
Accounts receivable for services to patients	(563,510)	563,826
Prepaid expenses and other assets	(2,850,836)	288,985
Accounts payable	1,114,126	(254,601)
Accrued expenses and other current liabilities	(263,745)	(1,161,947)
Self-insurance liabilities	55,969	174,352
Estimated amounts due to third-party payors - net	(950,382)	2,496,296
Accrued retirement benefits	1,992,648	2,985,110
Net cash (used in) provided by operating activities before trading securities	<u>(2,983,050)</u>	<u>6,052,259</u>
Decrease in investments - trading securities	<u>2,214,105</u>	<u>6,772,757</u>
Net cash (used in) provided by operating activities	<u>(768,945)</u>	<u>12,825,016</u>
Cash flows from investing activities		
Purchases of property, plant, and equipment, net	<u>(8,825,185)</u>	<u>(3,885,790)</u>
Net cash used in investing activities	<u>(8,825,185)</u>	<u>(3,885,790)</u>
Cash flows from financing activities		
Deferred financing costs incurred	(543,822)	-
Proceeds from long-term debt	7,249,216	-
Repayment of long term debt	(179,662)	(711,391)
Restricted contributions and investment return	285,767	374,902
Net cash provided by (used in) financing activities	<u>6,811,499</u>	<u>(336,489)</u>
Net (decrease) increase in cash and cash equivalents	<u>(2,782,631)</u>	<u>8,602,737</u>
Cash and cash equivalents - beginning of year	<u>21,124,772</u>	<u>12,522,035</u>
Cash and cash equivalents - end of year	<u>\$ 18,342,141</u>	<u>\$ 21,124,772</u>
Supplemental disclosures of cash flow information		
Interest paid, including capitalized interest	<u>\$ 184,333</u>	<u>\$ 191,832</u>

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

NOTES TO CONSOLIDATED STATEMENTS

December 31, 2010 and 2009

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

The Winifred Masterson Burke Rehabilitation Hospital (the “Hospital”) is located in White Plains, NY, and is a not-for-profit rehabilitation hospital. The Hospital 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).

2. 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.

3. Statements of Operations

The Organization’s operating income includes all unrestricted revenues and expenses. Nonoperating gains and losses include unrestricted investment income, realized gains and losses, unrealized gains and losses on trading securities, unrestricted contributions, and equity earnings related to investments in limited partnerships accounted for using the equity method. The consolidated statements of operations also include the caption “excess of revenues and nonoperating gains over expenses,” which is the performance indicator. 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 pension and other postretirement liability adjustment.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

4. *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, estimated self-insurance liabilities, and accrued pension and other postretirement 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, 2010 and 2009, increased by approximately \$93,000 and \$2,500,000, respectively as a result of third party payor settlements recognized from prior years (See Note A.13 and Note B).

5. *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.

6. *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.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

7. Investments - Classified as Assets Whose Use is Limited

Investments with readily determinable fair values are stated at fair value based upon quoted market prices. Fair values of privately traded mutual funds are determined by the fund manager based on the value of the underlying investments. Fair values of investments without readily determinable fair values are based on statements provided by fund managers or general partners.

Investment income includes dividend and interest income, realized gains and losses and unrealized gains and losses on trading securities. Investment income is included in nonoperating gains, net.

The Organization invests in various limited partnerships. These investments utilize a “fund-of-funds” approach resulting in diversified multistrategy, 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 accounted for under the equity method and estimated by management in the absence of readily determinable fair values. Management’s estimates are based on information provided by the fund managers or the general partners. Equity earnings on these investments are included in non-operating gains, net in the consolidated statements of operations.

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.

8. Inventory of Supplies

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

9. Deferred Financing Costs

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

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

10. 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. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. Interest in the amount of \$74,939 was capitalized for the year ended December 31, 2010. 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.

11. 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.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

12. 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 unrestricted revenue or temporarily restricted revenue.

13. 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.

14. Charity Care and Community Benefit

The Organization provides care to patients who meet certain criteria under its charity-care policy without charge or at amounts less than established charges. Because charity-care amounts are not expected to be paid, they are not reported as net revenue. The amount of identified charity care provided, approximately at gross charges under the Organization's policy during the years ended December 31, 2010 and 2009, was approximately \$133,000 and \$395,000, 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 Hospital'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.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

15. 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.

16. Allowance for Uncollectible Accounts

The Organization provides an allowance for doubtful 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.

17. 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 - Unadjusted quoted market prices in active markets for identical assets or liabilities.

Level 2 - Unadjusted quoted prices in active markets for similar assets or liabilities, unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3 - Unobservable inputs for the asset or liability.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

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 K for further disclosure of fair values of financial assets and liabilities.

18. Pending Accounting Pronouncements

In August 2010, the FASB issued amended authoritative guidance to reduce the diversity in practice regarding the measurement basis used in the identification and disclosure of charity care by health care entities. The amendments in this guidance require that cost be used as the measurement for charity care disclosure purposes and that cost be identified as the direct and indirect cost of providing the care. The guidance also requires entities to disclose their method used to identify or determine such costs. This authoritative guidance is effective for financial statements issued for fiscal years beginning after December 15, 2010 and should be applied retrospectively to all prior fiscal years presented. Early application is permitted. The Organization has not early adopted this guidance, but plans to adopt it for the year ending December 31, 2010. The new guidance is not expected to affect the results of operations or financial position; however changes to the charity care disclosures will be required.

In August 2010, the FASB issued amended authoritative guidance to reduce the diversity in practice related to the accounting by health care entities for medical malpractice claims and similar liabilities, and their related expected insurance recoveries. The amendments in this guidance state that insurance claims liabilities should be determined without consideration of any expected insurance recoveries, consistent with practice in other industries, and clarifies that health care entities should no longer net expected insurance recoveries against the related claims liabilities, thus recognizing their gross exposure in the financial statements. This authoritative guidance is effective for fiscal years, and interim periods within those years, beginning after December 15, 2011. A cumulative-effect adjustment should be recognized in opening equity in the period of adoption if a difference

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE A (continued)

exists between any liabilities and insurance receivables recorded as a result of applying the amendments in this guidance. Retrospective and early applications are also permitted. The Organization has not early adopted this guidance, but plans to adopt it for the year ending December 31, 2011. The Organization is evaluating the impact of adopting this guidance.

NOTE B - 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 Hospital 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 Hospital's IRF patient population was in compliance with this regulation for 2010 and 2009.

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 Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily's.

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,

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE B (continued)

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.

NOTE C - ASSETS WHOSE USE IS LIMITED

At December 31, 2010 and 2009, assets whose use is limited consist of the following:

	December 31	
	<u>2010</u>	<u>2009</u>
Foundation funds:		
Marketable equity securities	\$ 11,946,997	\$ 12,253,082
Publicly traded mutual funds	7,429,434	7,752,858
Limited partnership	36,677,226	46,425,557
Privately traded mutual funds	<u>40,862,592</u>	<u>20,496,653</u>
	<u>96,916,249</u>	<u>86,928,150</u>
Trusteed funds:		
Cash and cash equivalents	\$ 5,312,306	\$ 768,703
Marketable equity securities	2,580,603	6,649,418
Publicly traded mutual funds	2,896,700	5,958,166
Limited partnership	2,671,023	-
Privately traded mutual funds	7,158,640	5,063,162
Due to broker	<u>(2,494)</u>	<u>(10,322)</u>
	<u>20,616,778</u>	<u>18,429,127</u>
Cogeneration repayment escrow account:		
Cash and cash equivalents	<u>-</u>	<u>101</u>
Self-insurance trust:		
Cash and cash equivalents	182,154	258,277
Fixed income	<u>3,194,733</u>	<u>2,912,635</u>
	<u>3,376,887</u>	<u>3,170,912</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE C (continued)

	December 31	
	<u>2010</u>	<u>2009</u>
Restricted use - cash	<u>156,741</u>	<u>130,045</u>
Depreciation fund - cash and cash equivalents	<u>\$ 31,850</u>	<u>\$ 31,776</u>
Donor – restricted long term investments:		
Home Health Education Fund:		
Cash and cash equivalents	20,524	13,426
Marketable equity securities	<u>192,141</u>	<u>176,074</u>
	<u>212,665</u>	<u>189,500</u>
Kennedy-Duncan Fund:		
Cash and cash equivalents	<u>\$ 114,657</u>	<u>\$ 60,662</u>
Marketable equity securities	<u>1,156,633</u>	<u>1,030,880</u>
	<u>1,271,290</u>	<u>1,091,542</u>
Employee recognition fund - cash equivalents	<u>103,008</u>	<u>101,994</u>
Restricted – cash	<u>894,923</u>	<u>815,039</u>
Total donor-restricted long-term investments	<u>2,481,886</u>	<u>2,198,075</u>
Total assets whose use is limited	<u>\$ 123,580,391</u>	<u>\$ 110,888,186</u>

NOTE D - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment at December 31, 2010 and 2009, is as follows:

	<u>2010</u>	<u>2009</u>
Land	\$ 176,475	\$ 176,475
Land improvements	5,943,343	5,942,415
Buildings	44,991,131	43,677,884
Fixed equipment	27,172,713	26,896,744
Major movable equipment	<u>36,702,782</u>	<u>34,963,659</u>
	114,986,444	111,657,177
Less accumulated depreciation and amortization	<u>(84,875,433)</u>	<u>(80,016,697)</u>
	30,111,011	31,640,480
Construction in progress	<u>6,223,903</u>	<u>731,964</u>
	<u>\$ 36,334,914</u>	<u>\$ 32,372,444</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE D (continued)

At December 31, 2010 and 2009, 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 \$458,215 and \$323,500 at December 31, 2010 and 2009, respectively.

NOTE E – LONG-TERM DEBT

Long-term debt as of December 31 consisted of:

	<u>2010</u>	<u>2009</u>
Line of credit	\$ 7,249,216	\$ -
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>1,734,650</u>	<u>1,914,312</u>
	8,983,866	1,914,312
Less current portion	<u>843,950</u>	<u>179,662</u>
	<u>\$ 8,139,916</u>	<u>\$ 1,734,650</u>

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 \$7,249,215 as of December 31, 2010. The line of credit had a variable interest rate based on monthly LIBOR plus 1.75% (2% at December 31, 2010). 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 is \$6,949,215 and has monthly principal payments beginning in January 2011 of \$28,988, with a balloon payment due January 1, 2018 of \$4,516,990. The term loan has a variable interest rate based on monthly LIBOR plus 1.75%. Additionally, in March 2010 the Organization purchased insurance from a financial institution to protect the Organization against potential interest rate changes on the line of credit and the term loan. Under the insurance, the maximum interest rate is 5.5% through December 1, 2017. The cost of the insurance is considered a component of deferred financing costs and will be amortized over the life of the insurance term. The term loan is collateralized by certain investments held by the Organization at 110 percent of the outstanding amount. The term loan has certain financial covenants which are required to be maintained on a quarterly basis.

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE E (continued)

Future minimum payments on the long-term debt as of December 31, 2010, are as follows:

	<u>Debt</u>	<u>Capital Lease Obligation</u>
2011	\$ 647,460	\$ 295,102
2012	347,460	296,469
2013	347,460	296,469
2014	347,460	296,469
2015	347,460	296,469
Thereafter	<u>5,211,916</u>	<u>667,057</u>
Total	7,249,216	2,148,035
Less amount representing interest on capital lease obligation	<u>-</u>	<u>(413,385)</u>
	<u>\$ 7,249,216</u>	<u>\$ 1,734,650</u>

NOTE F - SELF-INSURANCE LIABILITIES

In June 2005, the Hospital 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 Hospital 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 \$2,312,000 and \$2,395,000 at December 31, 2010 and 2009, 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 \$ 17,000 and \$25,000, which are recorded in accounts payable, were calculated as of December 31, 2010 and 2009, respectively, at an expected confidence level of loss and discounted basis.

The Hospital also maintains an accrual, calculated at an expected confidence level of loss and discounted basis, of approximately \$1,110,000, and \$971,000, for tail period coverage as of December 31, 2010 and 2009, respectively. The Hospital 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 4.3% and 4.4% at December 31, 2010 and 2009, respectively.

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE G - 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. 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. 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	
	2010	2009	2010	2009
Obligations and funded status:				
Organization’s contributions	\$ 3,017,286	\$ 2,758,935	\$ 76,443	\$ 60,369
Benefit payments	(2,591,808)	(2,386,777)	(76,443)	(60,369)
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	<u>(26,993,445)</u>	<u>(26,245,919)</u>	<u>(5,293,349)</u>	<u>(4,937,175)</u>
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	\$ (76,286,977)	\$ (68,561,600)	\$ (5,293,349)	\$ (4,937,175)
Accumulated benefit obligation	<u>(67,550,947)</u>	<u>(60,091,166)</u>	-	-
Fair value of plan assets	<u>49,293,532</u>	<u>42,315,681</u>	-	-
Liability adjustment	<u>(786,956)</u>	<u>(4,403,292)</u>	<u>(101,992)</u>	<u>(396,607)</u>
Service cost	2,897,306	2,727,464	254,549	258,713
Interest cost	4,231,327	4,040,254	299,949	298,414
Expected return on plan assets	(3,504,098)	(2,885,466)	-	-
Amortization of prior service cost	429,935	574,003	-	-
Recognized actuarial gain	<u>497,298</u>	<u>789,855</u>	<u>(19,889)</u>	<u>1,177</u>
Net periodic benefit cost	<u>\$ 4,551,768</u>	<u>\$ 5,246,110</u>	<u>\$ 534,609</u>	<u>\$ 558,304</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE G (continued)

Weighted-average assumptions used in determining the benefit obligation at December 31, 2010 and 2009, were as follows:

<u>Assumptions</u>	<u>Defined benefit plans</u>		<u>Other postretirement benefits</u>	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Weighted-average assumptions used in computing benefit obligation at December 31:				
Discount rate	5.97%	6.45%	6.62%	6.62%
Rate of compensation increase	3.25	3.50	-	-
Initial health care cost trend rate	-	-	5.00	5.00
Ultimate trend rate in 2009 and forward	-	-	5.00	5.00
Weighted-average assumptions used in computing net periodic benefit cost for the years ended December 31:				
Discount rate	6.45	6.50	6.28	6.25
Expected long-term return on assets	8.25	8.25	-	-
Rate of compensation increase	3.50	3.75	-	-
Initial health care cost trend rate	-	-	5.00	5.00
Ultimate trend rate in 2010 and forward	-	-	5.00	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 8.25% 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, 2010 and 2009 is as follows:

	<u>2010</u>	<u>2009</u>
Equity securities	34 %	30%
Debt securities	34%	36%
Cash and cash equivalents	11%	32%
Limited partnerships	21%	2%
	<u>100 %</u>	<u>100 %</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE G (continued)

Fair Values of Plan Assets

The Plan's assets include the investments below and limited partnerships of \$ 10,224,467 and \$747,104 accounted for under the cost method as of December 31, 2010 and 2009, respectively. 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, 2010 and 2009:

<u>December 31, 2010</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities (a)	\$ 16,568,945	\$ -	\$ -	\$ 16,568,945
Debt securities (b)	-	16,787,509	-	16,787,509
Cash and cash equivalents (c)	<u>5,712,611</u>	<u>-</u>	<u>-</u>	<u>5,712,611</u>
	<u>\$ 22,281,556</u>	<u>\$ 16,787,509</u>	<u>\$ -</u>	<u>\$ 39,069,065</u>
<u>December 31, 2009</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Equity securities (a)	\$ 12,693,106	\$ -	\$ -	\$ 12,693,106
Debt securities (b)	-	15,035,764	-	15,035,764
Cash and cash equivalents (c)	<u>13,839,707</u>	<u>-</u>	<u>-</u>	<u>13,839,707</u>
	<u>\$ 26,532,813</u>	<u>\$ 15,035,764</u>	<u>\$ -</u>	<u>\$ 41,568,577</u>

- (a) Comprised of various equity securities which include U.S. large, mid-cap and small-cap equities.
- (b) Comprised of debt securities in a privately held mutual fund.
- (c) Comprised of cash and cash equivalents.

Target Allocations

The Plan's targeted asset allocation is 75% investment in equities and 25% in cash and fixed investments. As of December 31, 2010 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 2011 are approximately \$5,068,000 and \$123,100, respectively.

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE G (continued)

Estimated Future Benefit Payments

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

<u>Fiscal years ending December 31,</u>	
2011	\$ 3,263,525
2012	4,338,679
2013	3,927,217
2014	5,026,258
2015	4,284,678
2016-2020	25,997,180

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:

	<u>On portion of salary within Social Security wage base</u>	<u>On salary above Social Security wage base</u>
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, 2010 and 2009, was approximately \$296,000 and \$263,000, respectively.

NOTE H - CONCENTRATION OF CREDIT RISK

The Organization provides health care services through its inpatient and outpatient care facilities. The Hospital 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 (continued)

December 31, 2010 and 2009

NOTE H (continued)

Patient accounts receivable by financial class as a percentage of total patient accounts receivable at December 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Medicare	48%	33%
Blue Cross	9	9
Medicaid	2	7
Other third-party payors	34	42
Patients	<u>7</u>	<u>9</u>
	<u>100%</u>	<u>100%</u>

The Medicare program approximated 70% of net patient service revenue for the years ended December 31, 2010 and 2009.

NOTE I - COMMITMENTS AND CONTINGENCIES

Operating Leases - The minimum lease commitments for various equipment and facilities under noncancelable operating leases are in effect as of December 31, 2010, as follows:

2011	\$ 409,327
2012	261,117
2013	236,938
2014	237,852
2015	150,938
Thereafter	<u>9,866</u>
Total	<u>\$ 1,306,038</u>

Rental expense amounted to \$ 399,879 and \$392,021 for the years ended December 31, 2010 and 2009, respectively.

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE I (continued)

Capital Commitments – The Organization’s outstanding capital commitments, which are due on demand, related to their investment in limited partnerships are as follows at December 31, 2010:

	<u>Total Capital Commitment</u>	<u>Capital provided at December 31, 2010</u>	<u>Remaining Capital Commitment at December 31, 2010</u>
Total	\$ 23,000,000	\$ 8,398,212	\$ 14,601,788

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.

NOTE J - FUNCTIONAL EXPENSES

The Organization provides rehabilitative health care services to patients and related support activities as described in Note A. Expenses related to providing these services included in the consolidated statements of operations at December 31, 2010 and 2009, are as follows:

	<u>2010</u>	<u>2009</u>
Health care services	\$ 46,380,996	\$ 46,667,876
General and administrative	29,082,045	28,810,534
Research	<u>7,926,240</u>	<u>8,980,199</u>
Total expenses	<u>\$ 83,389,281</u>	<u>\$ 84,458,609</u>

NOTE K - 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 Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE K (continued)

The following table summarizes the Organization's financial instruments by levels:

December 31, 2010	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	\$ 25,158,304	\$ -	\$ -	\$ 25,158,304
Marketable equity securities	19,071,107	-	-	19,071,107
Publicly traded mutual funds	10,326,134	-	-	10,326,134
Privately traded mutual funds	-	25,251,791	-	25,251,791
Total	\$ 54,555,545	\$ 25,251,791	\$ -	\$ 79,807,336
<u>December 31, 2009</u>				
Cash and cash equivalents	\$ 23,278,797	\$ -	\$ -	\$ 23,278,797
Marketable equity securities	23,048,087	-	-	23,048,087
Publicly traded mutual funds	13,711,024	-	-	13,711,024
Privately traded mutual funds	-	25,559,815	-	25,559,815
Total	\$ 60,037,908	\$ 25,559,815	\$ -	\$ 85,597,723

Limited partnership interests as discussed in Note A17, are carried under the equity method of accounting and are excluded from the scope of fair value measurements.

NOTE L – PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at December 31, 2010 and 2009:

	2010	2009
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.

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE L (continued)

Endowments - The endowment is composed of 3 permanently restricted endowments as of December 31, 2010 and 2009, 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 has implemented 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 the (c) 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.

Endowment net assets consisted of the following at December 31, 2010:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor endowment funds	\$ -	\$ 1,049,201	\$ 787,585	\$ 1,836,786

Endowment net assets consisted of the following at December 31, 2009:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Donor endowment funds	\$ 232,288	\$ 614,085	\$ 787,585	\$ 1,633,958

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE L (continued)

Changes in endowment net assets for the year ended December 31, 2010 follow:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
Endowment net assets, December 31, 2009	\$ 232,288	\$ 614,085	\$ 787,585	\$ 1,633,958
Investment Returns:				
Investment income	14,104	915	-	15,019
Net appreciation	<u>134,997</u>	<u>53,812</u>	<u>-</u>	188,809
Total investment return	<u>149,101</u>	<u>54,727</u>	<u>-</u>	203,828
Appropriation of endowment assets for expenditure	<u>-</u>	<u>(1,000)</u>	<u>-</u>	(1,000)
Reclassification for NYPMIFA	<u>(381,389)</u>	<u>381,389</u>	<u>-</u>	<u>-</u>
Endowment net assets, December 31, 2010	<u>\$ -</u>	<u>\$ 1,049,201</u>	<u>\$ 787,585</u>	\$ 1,836,786

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, 2010, there were no aggregate deficiencies of this nature reported within unrestricted net assets.

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NOTES TO CONSOLIDATED STATEMENTS (continued)

December 31, 2010 and 2009

NOTE M - SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2010 consolidated financial statements for subsequent events through May 20, 2011, 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, 2010 of \$751,185.

SUPPLEMENTARY INFORMATION

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

NET PATIENT SERVICE REVENUE

For the year ended December 31,

	2010			2009		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
ROUTINE PATIENT CARE	\$ 51,232,350	\$ -	\$ 51,232,350	\$ 49,653,500	\$ -	\$ 49,653,500
PHYSICIAN FEES	2,350,640	724	2,351,364	2,183,483	-	2,183,483
OTHER PROFESSIONAL SERVICES:						
Radiology - diagnostic	373,843	199,327	573,170	491,993	193,596	685,589
Laboratory	2,632,348	-	2,632,348	2,499,211	-	2,499,211
Electrocardiography	532,819	812,940	1,345,759	557,535	763,386	1,320,921
Physical therapy	10,365,281	8,960,383	19,325,664	10,329,184	7,886,197	18,215,381
Respiratory therapy	1,052,700	-	1,052,700	1,282,768	-	1,282,768
Occupational therapy	10,794,859	947,288	11,742,147	10,532,357	880,531	11,412,888
Central services	1,208,429	5,791	1,214,220	1,173,292	3,427	1,176,719
Pharmacy	4,625,532	29,267	4,654,799	5,129,130	25,137	5,154,267
Speech and hearing	1,641,638	518,264	2,159,902	1,503,893	445,043	1,948,936
Orthotics and prosthetics	255,355	-	255,355	233,096	-	233,096
Transportation	24,249	-	24,249	26,886	-	26,886
Other	58,776	108	58,884	64,041	146	64,187
Total other professional services	33,565,829	11,473,368	45,039,197	33,823,386	10,197,463	44,020,849
TOTAL PATIENT CARE REVENUE-GROSS CHARGES	87,148,819	11,474,092	98,622,911	85,660,369	10,197,463	95,857,832
LESS CONTRACTUAL ALLOWANCES	(33,620,768)	(5,223,132)	(38,843,900)	(29,563,061)	(4,672,652)	(34,235,713)
NET PATIENT SERVICE REVENUE	\$ 53,528,051	\$ 6,250,960	\$ 59,779,011	\$ 56,097,308	\$ 5,524,811	\$ 61,622,119

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

**OTHER REVENUE AND NET ASSETS RELEASED
FROM RESTRICTIONS - OPERATIONS**

For the year ended December 31,

	<u>2010</u>	<u>2009</u>
OTHER REVENUE:		
Employees' benefit contributions	\$ 671,077	\$ 1,132,057
Purchase discounts	8,873	15,526
Sale of medical abstracts	1,974	2,583
Community fitness center	506,633	568,448
Rental of space	826,819	673,562
Apartment housing rental	446,800	413,467
Offsite programs	4,533,813	3,904,105
Miscellaneous	<u>14,947</u>	<u>13,752</u>
 TOTAL OTHER REVENUE	 <u>\$ 7,010,936</u>	 <u>\$ 6,723,500</u>
 NET ASSETS RELEASED FROM RESTRICTIONS - Operations		
Advanced Biologics Novartis Study	983	9,090
Fund-raising - car raffle	-	1,500
Yale Iris Study	31,857	11,226
ARA Research Institute Study	1,345	-
Gift Shop	30,372	75,200
Columbia Theophyline	15,470	32,798
Volunteer Fund	-	100
Wheelchair Athletics	17,314	17,731
Will Rogers Pulmonary Fund	80,000	90,000
Other	<u>12,418</u>	<u>5,116</u>
 NET ASSETS RELEASED FROM RESTRICTIONS - Operations	 <u>\$ 189,759</u>	 <u>\$ 242,761</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CHANGES IN TEMPORARILY RESTRICTED NET ASSETS - SPECIFIC PURPOSE FUND

For the year ended December 31,

	Net assets December 31, 2009	Contributions	Investments return	Net assets released from restrictions		Reclassification for NYPMIFA	Net assets December 31, 2010
				Operations	Capital acquisitions		
Audio-visual Laboratory	\$ 753	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 753
Advanced Biologics Novartis	2,289	27,455	-	(983)	-	-	28,761
ARA Research Institute	18,232	-	-	(1,345)	-	-	16,887
Burke Award Dinner	3,108	-	-	-	-	-	3,108
Burke Gift Shop	335,784	62,092	1,888	(30,372)	(50,230)	-	319,162
Columbia Theophylie	15,470	-	-	(15,470)	-	-	-
Child Care Fund	454	-	-	-	-	-	454
Design for Disabled	1,772	-	-	-	-	-	1,772
Employee Recognition	1,335	2,733	914	(3,733)	-	-	1,249
Gisondi Alz Rehab	-	20,000	-	-	-	-	20,000
Heart Monitor Fund	2,773	-	-	-	-	-	2,773
Home Health Education Fund	-	-	-	-	-	60,195	60,195
IMPAX Spinal Cord Injury	4,876	-	-	-	-	-	4,876
Kennedy Duncan Fund	612,749	-	53,813	-	-	321,194	987,756
Leahy Pulmonary Fund	107,174	-	-	(250)	-	-	106,924
Medical Director	47,551	167	-	(3,500)	-	-	44,218
Myerson Equipment Fund	19,461	-	-	-	-	-	19,461
Patient Greenhouse Fund	10,404	1,235	-	(2,287)	-	-	9,352
Prosthetic Fund	32,946	587	-	(855)	-	-	32,678
Quintiles Drug Study — E2020	2,292	-	-	(1,793)	-	-	499
Raffle Fund	10,771	-	-	-	-	-	10,771
Reeve Foundation	9,000	-	-	-	(9,000)	-	-
Rheumatology	5,879	-	-	-	-	-	5,879
Social Service	18,000	167	-	-	-	-	18,167
Speech and Hearing	10,275	-	-	-	-	-	10,275
Sports Neurology	8,969	-	-	-	-	-	8,969
Vocational Education	8,327	-	-	-	-	-	8,327
Volunteers Fund	11,658	-	-	-	-	-	11,658
Wheelchair Athletics	112,673	29,278	-	(17,314)	(2,954)	-	121,683
Will Rogers Fund	-	80,000	-	(80,000)	-	-	-
Yale Iris Study	54,777	5,438	-	(31,857)	-	-	28,358
	<u>\$ 1,469,752</u>	<u>\$ 229,152</u>	<u>\$ 56,615</u>	<u>\$ (189,759)</u>	<u>\$ (62,184)</u>	<u>\$ 381,389</u>	<u>\$ 1,884,965</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

EXPENSES

For the year ended December 31,

	2010			2009		
	Salaries and wages	Supplies and other expenses	Total	Salaries and wages	Supplies and other expenses	Total
MEDICAL REHABILITATION SERVICES						
NURSING AND MEDICAL:						
General nursing	\$ 12,533,101	\$ 448,513	\$ 12,981,614	\$ 12,310,758	\$ 522,265	\$ 12,833,023
Medical services	7,440,950	936,951	8,377,901	7,066,469	903,772	7,970,241
Admitting	234,708	4,263	238,971	232,481	9,031	241,512
General services	82,081	307,839	389,920	72,738	366,772	439,510
Total nursing and medical	<u>20,290,840</u>	<u>1,697,566</u>	<u>21,988,406</u>	<u>19,682,446</u>	<u>1,801,840</u>	<u>21,484,286</u>
OTHER PROFESSIONAL :						
Radiology - diagnostic	208,252	163,683	371,935	201,645	171,337	372,982
Laboratory	-	771,734	771,734	-	809,466	809,466
Electrocardiography	204,754	54,650	259,404	194,602	57,171	251,773
Physical therapy	4,328,937	153,528	4,482,465	4,026,748	181,715	4,208,463
Occupational therapy	2,626,014	67,174	2,693,188	2,511,879	78,603	2,590,482
Pharmacy	875,395	1,234,593	2,109,988	825,385	1,301,797	2,127,182
Speech and hearing	738,304	14,802	753,106	692,110	15,737	707,847
Orthotics and prosthetics	-	214,233	214,233	-	184,038	184,038
Medical records	320,675	41,449	362,124	343,114	21,314	364,428
Social service	791,625	23,074	814,699	762,478	36,638	799,116
Total other professional	<u>10,093,956</u>	<u>2,738,920</u>	<u>12,832,876</u>	<u>9,557,961</u>	<u>2,857,816</u>	<u>12,415,777</u>
AMBULATORY CARE	<u>85,992</u>	<u>810</u>	<u>86,802</u>	<u>83,617</u>	<u>606</u>	<u>84,223</u>
GENERAL SERVICES:						
Dietary	1,286,361	1,009,701	2,296,062	1,270,265	1,047,853	2,318,118
Operation and maintenance of plant	1,681,715	2,357,252	4,038,967	1,705,964	2,259,478	3,965,442
Housekeeping	1,009,862	416,771	1,426,633	995,012	385,614	1,380,626
Laundry and linen	110,879	5,582	116,461	105,020	6,353	111,373
Total general services	<u>\$ 4,088,817</u>	<u>\$ 3,789,306</u>	<u>\$ 7,878,123</u>	<u>\$ 4,076,261</u>	<u>\$ 3,699,298</u>	<u>\$ 7,775,559</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

EXPENSES (continued)

For the year ended December 31,

MEDICAL REHABILITATION SERVICES (continued)	2010			2009		
	Salaries and wages	Supplies and other expenses	Total	Salaries and wages	Supplies and other expenses	Total
ADMINISTRATIVE AND FISCAL SERVICES:						
Executive office	\$ 549,485	\$ 1,361,229	\$ 1,910,714	\$ 508,484	\$ 1,078,392	\$ 1,586,876
Fiscal office	2,010,458	462,272	2,472,730	1,904,760	321,901	2,226,661
Personnel	380,914	306,986	687,900	358,867	391,479	750,346
Purchasing and storeroom	210,467	5,098	215,565	203,549	4,958	208,507
Communication	114,062	149,382	263,444	110,208	150,212	260,420
Volunteer service	65,184	16,070	81,254	64,856	16,180	81,036
Data processing	843,375	828,094	1,671,469	835,459	901,635	1,737,094
Insurance	-	1,208,933	1,208,933	-	1,297,868	1,297,868
Public relations	176,427	572,052	748,479	184,506	702,188	886,694
Development	-	110,336	110,336	-	77,340	77,340
Managed care	1,960	4,067	6,027	-	-	-
Total administrative and fiscal services	<u>4,352,332</u>	<u>5,024,519</u>	<u>9,376,851</u>	<u>4,170,689</u>	<u>4,942,153</u>	<u>9,112,842</u>
PROVISION FOR BAD DEBTS	-	398,010	398,010	-	594,046	594,046
EMPLOYEE BENEFITS:						
Pension and other postretirement benefit expenses	-	5,517,769	5,517,769	-	6,260,739	6,260,739
Federal Insurance Contributions Act taxes	-	2,830,313	2,830,313	-	2,716,077	2,716,077
Health insurance	-	5,712,740	5,712,740	-	6,221,164	6,221,164
Workers' compensation insurance	-	457,178	457,178	-	465,225	465,225
Unemployment insurance	-	76,394	76,394	-	67,215	67,215
Disability insurance	-	56,045	56,045	-	52,470	52,470
Total employee benefits	-	<u>14,650,439</u>	<u>14,650,439</u>	-	<u>15,782,890</u>	<u>15,782,890</u>
INTEREST	-	109,394	109,394	-	191,832	191,832
DEPRECIATION AND AMORTIZATION	-	3,924,720	3,924,720	-	4,022,561	4,022,561
TOTAL MEDICAL REHABILITATION SERVICES	<u>\$ 38,911,937</u>	<u>\$ 32,333,684</u>	<u>\$ 71,245,621</u>	<u>\$ 37,570,974</u>	<u>\$ 33,893,042</u>	<u>\$ 71,464,016</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

EXPENSES (continued)

For the year ended December 31,

	2010			2009		
	Salaries and wages	Supplies and other expenses	Total	Salaries and wages	Supplies and other expenses	Total
MEDICAL REHABILITATION SERVICES (continued)						
FOUNDATION SERVICES:						
Grantor services	\$ -	\$ 5,709,241	\$ 5,709,241	\$ -	\$ 4,815,131	\$ 4,815,131
Management and general	-	622,318	622,318	-	741,168	741,168
Total foundation services	-	6,331,559	6,331,559	-	5,556,299	5,556,299
MEDICAL RESEARCH SERVICES:						
Medical research	3,463,520	3,508,987	\$ 6,972,507	3,383,942	4,607,674	7,991,616
Employee benefits - medical research	-	953,441	953,441	-	988,583	988,583
Management and general	1,581,374	2,363,934	3,945,308	1,342,665	2,193,433	3,536,098
Employee benefits - management and general	-	455,119	455,119	-	392,247	392,247
Depreciation	-	937,995	937,995	-	982,543	982,543
Total medical research services	5,044,894	8,219,476	13,264,370	4,726,607	9,164,480	13,891,087
Subtotal expenses	43,956,831	46,884,719	90,841,550	42,297,581	48,613,821	90,911,402
CONSOLIDATING ENTRIES	-	(7,452,269)	(7,452,269)	-	(6,452,793)	(6,452,793)
CONSOLIDATED EXPENSES	\$ 43,956,831	\$ 39,432,450	\$ 83,389,281	\$ 42,297,581	\$ 42,161,028	\$ 84,458,609

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

REFUNDABLE ADVANCES AND GRANT REVENUE

For the year ended December 31,

Account name	Refundable advances December 31, 2009	Gifts donations and grants	Federal grants	Direct costs	Expenditures indirect costs	Consortiums/ equipment additions	Reclasses and transfers	Refundable advances December 31, 2010
PRIVATE GRANTS								
EISAI- Jordan	\$ 6,587	\$ -	\$ -	\$ 5,106	\$ -	\$ -	\$ -	\$ 1,481
Columbia Profess Study	11,872	-	-	-	-	-	-	11,872
Veterans Administration	3,206	-	-	3,206	-	-	-	-
Lupus Foundation	49,307	-	-	-	-	-	-	49,307
Massachusetts Institute of Technology-NICHHD	21,734	32,601	-	5,913	2,537	108	(45,777)	-
Hunter College	405	-	-	-	-	-	-	405
Overbrook	31,729	-	-	488	-	-	-	31,241
Cardiac Fund	11,283	-	-	-	-	-	-	11,283
Forrest Pharmaceutical	-	-	-	(24,729)	(2,865)	-	-	27,594
Scallon	157	-	-	-	-	-	-	157
Korean University	57	-	-	-	-	-	-	57
Animal Care Center	6,580	-	-	(16,254)	-	-	-	22,834
American Heart-Chavez	2,171	-	-	2,171	-	-	-	-
Fujisawa Corp	3,375	-	-	589	-	-	-	2,786
Accorda Therapeutics	14,305	-	-	-	-	-	-	14,305
UCSD Coop Study	2,452	-	-	1,692	-	-	-	760
Mitro Defects-Gibson	4,249	-	-	-	-	-	-	4,249
Lincy Foundation	-	-	-	(248)	-	-	(248)	-
Cornell Fellowship	2,138	-	-	-	-	-	-	2,138
Cornell CTSC	-	20,800	-	-	-	-	(20,800)	-
Mt. Sinai	8,000	13,300	-	-	-	-	-	21,300
Dana Foundation	-	-	-	29,324	-	-	29,324	-
Wyeth Lab	-	156,864	-	59,629	(5,425)	495	(102,165)	-
Anti-Microbial	-	-	-	69,002	49,819	-	118,821	-
Antibodies NR2 In SLE	-	-	-	51,089	36,886	-	87,975	-
University of Illinois	-	-	-	20,000	-	-	20,000	-
Retinal Research Fund	-	100,000	-	-	-	100,000	-	-
Cornell Neuroprotection	-	54,464	-	61,715	-	-	7,251	-
Hartman Foundation	175,711	93,750	-	206,978	-	(1,315)	-	63,798
Wyeth Acute Stroke Study	-	-	-	110,309	8,825	2,771	121,905	-
Wyeth Training Study	-	66,501	-	148,235	9,042	-	90,776	-
Kirchgessner Foundation	30,004	-	-	5,322	-	251	-	24,431
CTSC Human Variant	-	83,447	-	51,083	-	-	(17,069)	15,295
Cornell Repligen	-	18,150	-	7,438	4,295	-	-	6,417
Fara Micromas	-	100,000	-	53,355	-	-	-	46,645

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

REFUNDABLE ADVANCES AND GRANT REVENUE Continued

For the year ended December 31,

Account name	Refundable advances December 31, 2009	Gifts donations and grants	Federal grants	Direct costs	Expenditures indirect costs	Consortiums/ equipment additions	Reclasses and transfers	Refundable advances December 31, 2010
Hartman Gazaryan	\$ -	\$ 50,000	\$ -	\$ 61,037	\$ -	\$ -	\$ 11,037	\$ -
Lieberman Fund	-	13,000	-	-	-	-	-	13,000
IRSF Fund	-	12,500	-	9,108	-	-	-	3,392
Whitehall Fund	-	75,000	-	17,051	-	-	-	57,949
Cornell Goldfine	-	-	-	137,859	-	-	137,859	-
Don Sperling Fund	15,761	38,800	-	13,056	-	-	(1,000)	40,505
Hoffman LaRoche	16,887	53,993	-	12,259	-	-	-	58,621
Adelson Foundation	-	40,000	-	(140,465)	-	-	(180,465)	-
Adelson-Langley	-	40,000	-	38,479	-	-	(1,521)	-
W.M. Burke Foundation	-	-	-	-	-	-	-	-
Hospital for Special Services	1,546	-	-	1,546	-	-	-	-
Volpe Research Fund	82,475	2,000	-	46,476	-	33,125	(3,000)	1,874
Stroke Research	14,547	10,143	-	10,691	-	-	-	13,999
NYS SCIRB - Langley	-	-	-	130,602	-	2,183	132,785	-
Alzheimer's Disease	7,074	49,000	-	56,696	-	-	622	-
National Parkinson Assoc	-	-	-	-	(6,144)	-	(6,144)	-
Cornell Seed Grant	-	-	-	-	(404)	-	(404)	-
Century Trust	-	-	-	-	(1,792)	-	(1,792)	-
Cornell CTSC	-	-	-	-	(189)	-	(189)	-
Nefracetam	-	-	-	-	(3,711)	-	(3,711)	-
NYS Alzheimer's Disease - Jordan	-	114,593	-	129,327	-	-	14,734	-
Dementia Other	1,844	-	-	-	-	-	-	1,844
Wood Kalb	8,764	-	-	-	-	-	-	8,764
Alzheimer's Research	-	-	-	(1,341)	-	-	-	1,341
Research Fund	5,275	150	-	-	-	-	-	5,425
Medical Directors Fund	46,647	955	-	1,035	-	-	(10,000)	36,567
Alzheimer's Day Care	9,732	-	-	-	-	-	-	9,732
Goldsmith Fellowship	191,958	-	-	184,803	-	7,155	-	-
Skirball Foundation	-	-	-	-	-	-	-	-
Dr. I. Foundation	4,870	-	-	-	-	-	-	4,870
Total private grants	<u>792,703</u>	<u>1,240,011</u>	<u>-</u>	<u>1,559,632</u>	<u>90,874</u>	<u>144,773</u>	<u>378,804</u>	<u>616,239</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

REFUNDABLE ADVANCES AND GRANT REVENUE Continued

For the year ended December 31,

Account name	Refundable advances December 31, 2009	Gifts donations and grants	Federal grants	Direct costs	Expenditures indirect costs	Consortiums/ equipment additions	Reclasses and transfers	Refundable advances December 31, 2010
Federal grants								
NIA-Mitochondrial Dysfunction in Aging	\$ -	\$ -	\$ 1,745,999	\$ 554,421	\$ 427,055	\$ 764,523	\$ -	\$ -
Feinstein-Antibodies NMDA Behavioral	-	-	19,914	18,716	13,513	(12,315)	-	-
Feinstein-Antibodies NMDA PP2	-	-	178,928	103,921	75,031	(24)	-	-
Feinstein-Antibodies NMDA Histology	-	-	133,215	77,361	55,854	-	-	-
Feinstein-Antibodies NMDA PP1	-	-	183,173	106,372	76,801	-	-	-
NICH-Transcranial Direct Current Stimulation	-	-	270,751	99,654	70,755	100,342	-	-
NHLB-Role of CD36 Supplement	-	-	128,774	75,307	53,467	-	-	-
NID-Plasticity in Aging Supplement A	-	-	145,226	84,927	60,299	-	-	-
NIH-Role of CD36 in Ischemic Inflammation	-	-	346,221	167,716	134,172	44,333	-	-
NIMH-Allelic Choice in Rett Syndrome	-	-	165,744	94,549	71,195	-	-	-
NEI-Retinal Neural Processing During Retinal Degenerative	-	-	310,701	177,240	133,461	-	-	-
NINR-Asonal Transport Local Translation in Neuropathic Pain	-	-	90,554	48,822	36,764	4,968	-	-
NID-Plasticity in Aging Supplement B	-	-	51,146	39,958	11,188	-	-	-
NIA-Plasticity in Aging	-	-	441,485	247,469	194,016	-	-	-
Total federal grants	-	-	4,211,831	1,896,433	1,413,571	901,827	-	-
New York State grant								
S.C.O.R.E. Grant	-	-	-	350,954	70,191	224,807	645,952	-
Totals	\$ 792,703	\$ 1,240,011	\$ 4,211,831	\$ 3,807,019	\$ 1,574,636	\$ 1,271,407	\$ 1,024,756	\$ 616,239

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2010

ASSETS	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Current assets:						
Cash and cash equivalents	\$ 14,904,211	\$ 2,575,634	\$ 862,296	\$ 18,342,141	\$ -	\$ 18,342,141
Assets whose use is limited required for current liabilities	1,156,741	-	-	1,156,741	-	1,156,741
Accounts receivable for services to patients - net	6,655,379	-	-	6,655,379	-	6,655,379
Prepaid expenses	1,232,043	-	74,713	1,306,756	-	1,306,756
Inventory of supplies	493,968	-	-	493,968	-	493,968
Due from affiliated organizations	3,060,436	-	-	3,060,436	(3,060,436)	-
Other receivables	1,428,576	85,373	4,647,595	6,161,544	-	6,161,544
Total current assets	<u>28,931,354</u>	<u>2,661,007</u>	<u>5,584,604</u>	<u>37,176,965</u>	<u>(3,060,436)</u>	<u>34,116,529</u>
Assets whose use is limited:						
Foundation funds	-	96,916,249	-	96,916,249	-	96,916,249
Trusteed funds	20,616,778	-	-	20,616,778	-	20,616,778
Self-insurance trust	3,376,887	-	-	3,376,887	-	3,376,887
Restricted use cash	156,741	-	-	156,741	-	156,741
Depreciation fund	31,850	-	-	31,850	-	31,850
Donor-restricted long-term investments	2,481,886	-	-	2,481,886	-	2,481,886
	<u>26,664,142</u>	<u>96,916,249</u>	<u>-</u>	<u>123,580,391</u>	<u>-</u>	<u>123,580,391</u>
Less: assets whose use is limited required for current liabilities	<u>(1,156,741)</u>	<u>-</u>	<u>-</u>	<u>(1,156,741)</u>	<u>-</u>	<u>(1,156,741)</u>
	25,507,401	96,916,249	-	122,423,650	-	122,423,650
Deferred financing costs, net	-	-	543,822	543,822	-	543,822
Property, plant and equipment, net	<u>24,615,527</u>	<u>-</u>	<u>11,719,387</u>	<u>36,334,914</u>	<u>-</u>	<u>36,334,914</u>
Total assets	<u>\$ 79,054,282</u>	<u>\$ 99,577,256</u>	<u>\$ 17,847,813</u>	<u>\$ 196,479,351</u>	<u>\$ (3,060,436)</u>	<u>\$ 193,418,915</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2010

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Current liabilities:						
Accounts payable	\$ 2,268,646	\$ 33,454	\$ 1,035,835	\$ 3,337,935	\$ -	\$ 3,337,935
Accrued expenses	1,882,284	-	737,020	2,619,304	-	2,619,304
Current portion of long-term debt	196,309	-	647,641	843,950	-	843,950
Estimated self-insurance liabilities	1,000,000	-	-	1,000,000	-	1,000,000
Estimated amounts due to third-party payors - net	1,206,834	-	-	1,206,834	-	1,206,834
Refundable advances	-	-	616,239	616,239	-	616,239
Accrued retirement benefits	123,105	-	-	123,105	-	123,105
Due to affiliated organizations	-	919,030	2,141,406	3,060,436	(3,060,436)	-
Total current liabilities	<u>6,677,178</u>	<u>952,484</u>	<u>5,178,141</u>	<u>12,807,803</u>	<u>(3,060,436)</u>	<u>9,747,367</u>
Long-term debt, net of current portion	1,538,342	-	6,601,574	8,139,916	-	8,139,916
Estimated self-insurance liabilities, net of current portion	2,421,963	-	-	2,421,963	-	2,421,963
Accrued retirement benefits	32,163,689	-	-	32,163,689	-	32,163,689
Total liabilities	<u>42,801,172</u>	<u>952,484</u>	<u>11,779,715</u>	<u>55,533,371</u>	<u>(3,060,436)</u>	<u>52,472,935</u>
Net assets:						
Unrestricted	33,580,560	98,624,772	6,068,098	138,273,430	-	138,273,430
Temporarily restricted	1,884,965	-	-	1,884,965	-	1,884,965
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	<u>36,253,110</u>	<u>98,624,772</u>	<u>6,068,098</u>	<u>140,945,980</u>	<u>-</u>	<u>140,945,980</u>
Total liabilities and net assets	<u>\$ 79,054,282</u>	<u>\$ 99,577,256</u>	<u>\$ 17,847,813</u>	<u>\$ 196,479,351</u>	<u>\$ (3,060,436)</u>	<u>\$ 193,418,915</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2009

ASSETS	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Current assets:						
Cash and cash equivalents	\$ 15,386,249	\$ 4,531,646	\$ 1,206,877	\$ 21,124,772	\$ -	\$ 21,124,772
Assets whose use is limited required for current liabilities	886,045	-	-	886,045	-	886,045
Accounts receivable for services to patients - net	6,489,879	-	-	6,489,879	-	6,489,879
Prepaid expenses	968,663	-	59,101	1,027,764	-	1,027,764
Inventory of supplies	472,272	-	-	472,272	-	472,272
Due from affiliated organizations	1,626,190	-	-	1,626,190	(1,626,190)	-
Other receivables	969,666	41,188	2,600,542	3,611,396	-	3,611,396
Total current assets	<u>26,798,964</u>	<u>4,572,834</u>	<u>3,866,520</u>	<u>35,238,318</u>	<u>(1,626,190)</u>	<u>33,612,128</u>
Assets whose use is limited:						
Foundation funds	-	86,928,150	-	86,928,150	-	86,928,150
Trusteed funds	18,429,127	-	-	18,429,127	-	18,429,127
Cogeneration repayment escrow account	101	-	-	101	-	101
Self-insurance trust	3,170,912	-	-	3,170,912	-	3,170,912
Restricted use cash	130,045	-	-	130,045	-	130,045
Depreciation fund	31,776	-	-	31,776	-	31,776
Donor-restricted long-term investments	2,198,075	-	-	2,198,075	-	2,198,075
	<u>23,960,036</u>	<u>86,928,150</u>	<u>-</u>	<u>110,888,186</u>	<u>-</u>	<u>110,888,186</u>
Less: assets whose use is limited required for current liabilities	<u>(886,045)</u>	<u>-</u>	<u>-</u>	<u>(886,045)</u>	<u>-</u>	<u>(886,045)</u>
	23,073,991	86,928,150	-	110,002,141	-	110,002,141
Property, plant and equipment, net	<u>26,446,469</u>	<u>-</u>	<u>5,925,975</u>	<u>32,372,444</u>	<u>-</u>	<u>32,372,444</u>
Total assets	<u>\$ 76,319,424</u>	<u>\$ 91,500,984</u>	<u>\$ 9,792,495</u>	<u>\$ 177,612,903</u>	<u>\$ (1,626,190)</u>	<u>\$ 175,986,713</u>

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF FINANCIAL POSITION

As of December 31, 2009

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Current liabilities:						
Accounts payable	\$ 1,934,219	\$ -	\$ 289,590	\$ 2,223,809	\$ -	\$ 2,223,809
Accrued expenses	1,616,877	30,152	1,059,556	2,706,585	-	2,706,585
Current portion of long-term debt	179,662	-	-	179,662	-	179,662
Estimated self-insurance liabilities	756,000	-	-	756,000	-	756,000
Estimated amounts due to third-party payors - net	2,157,216	-	-	2,157,216	-	2,157,216
Refundable advances	-	-	792,703	792,703	-	792,703
Accrued retirement benefits	118,414	-	-	118,414	-	118,414
Due to affiliated organizations	-	327,311	1,298,879	1,626,190	(1,626,190)	-
Total current liabilities	<u>6,762,388</u>	<u>357,463</u>	<u>3,440,728</u>	<u>10,560,579</u>	<u>(1,626,190)</u>	<u>8,934,389</u>
Long-term debt, net of current portion	1,734,650	-	-	1,734,650	-	1,734,650
Estimated self-insurance liabilities, net of current portion	2,609,994	-	-	2,609,994	-	2,609,994
Accrued retirement benefits	31,064,680	-	-	31,064,680	-	31,064,680
Total liabilities	<u>42,171,712</u>	<u>357,463</u>	<u>3,440,728</u>	<u>45,969,903</u>	<u>(1,626,190)</u>	<u>44,343,713</u>
Net assets:						
Unrestricted	31,890,375	91,143,521	6,351,767	129,385,663	-	129,385,663
Temporarily restricted	1,469,752	-	-	1,469,752	-	1,469,752
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	<u>34,147,712</u>	<u>91,143,521</u>	<u>6,351,767</u>	<u>131,643,000</u>	<u>-</u>	<u>131,643,000</u>
Total liabilities and net assets	<u>\$ 76,319,424</u>	<u>\$ 91,500,984</u>	<u>\$ 9,792,495</u>	<u>\$ 177,612,903</u>	<u>\$ (1,626,190)</u>	<u>\$ 175,986,713</u>

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

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF OPEARATIONS

For the year ended December 31, 2010

	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Unrestricted net assets:						
Revenues:						
Net patient service revenue	\$ 59,779,011	\$ -	\$ -	\$ 59,779,011	\$ -	\$ 59,779,011
Grant revenue	-	-	12,101,317	12,101,317	(5,448,251)	6,653,066
Other revenue	8,940,930	-	74,024	9,014,954	(2,004,018)	7,010,936
Net assets released from restrictions - operations	189,759	-	-	189,759	-	189,759
Total revenues	<u>68,909,700</u>	<u>-</u>	<u>12,175,341</u>	<u>81,085,041</u>	<u>(7,452,269)</u>	<u>73,632,772</u>
Expenses:						
Salaries and wages	38,911,937	-	5,044,894	43,956,831	-	43,956,831
Supplies and expenses	13,251,121	6,331,559	5,872,921	25,455,601	(7,452,269)	18,003,332
Employee benefits	14,650,439	-	1,408,560	16,058,999	-	16,058,999
Depreciation and amortization	3,924,720	-	937,995	4,862,715	-	4,862,715
Provision for bad debts	398,010	-	-	398,010	-	398,010
Interest	109,394	-	-	109,394	-	109,394
Total expenses	<u>71,245,621</u>	<u>6,331,559</u>	<u>13,264,370</u>	<u>90,841,550</u>	<u>(7,452,269)</u>	<u>83,389,281</u>
Loss from operations	<u>(2,335,921)</u>	<u>(6,331,559)</u>	<u>(1,089,029)</u>	<u>(9,756,509)</u>	<u>-</u>	<u>(9,756,509)</u>
Nonoperating gains, net:						
Contributions	550,705	415,798	-	966,503	-	966,503
Income from donor-restricted long-term investments	14,104	-	-	14,104	-	14,104
Unrestricted income on investments	522,107	1,181,704	-	1,703,811	-	1,703,811
Realized gains on investments - net	3,225,803	3,970,418	-	7,196,221	-	7,196,221
Change in unrealized gains and losses on trading securities	(856,357)	4,555,706	-	3,699,349	-	3,699,349
Equity earnings from limited partnerships	-	4,010,740	-	4,010,740	-	4,010,740
Nonoperating gains, net:	<u>3,456,362</u>	<u>14,134,366</u>	<u>-</u>	<u>17,590,728</u>	<u>-</u>	<u>17,590,728</u>
Excess (deficiency) of revenues and nonoperating gains over expenses	1,120,441	7,802,807	(1,089,029)	7,834,219	-	7,834,219
Other changes in unrestricted net assets:						
Reclassification for NYPMIFA	(381,389)	-	-	(381,389)	-	(381,389)
Net assets released from restrictions - capital acquisition	62,185	-	483,804	545,989	-	545,989
Other accrued retirement benefit adjustment	888,948	-	-	888,948	-	888,948
Transfers from (to) affiliates	-	(321,556)	321,556	-	-	-
Increase in unrestricted net assets	<u>\$ 1,690,185</u>	<u>\$ 7,481,251</u>	<u>\$ (283,669)</u>	<u>\$ 8,887,767</u>	<u>\$ -</u>	<u>\$ 8,887,767</u>

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

The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

CONSOLIDATING STATEMENT OF OPEARATIONS

For the year ended December 31, 2009

	Hospital	Foundation	Institute	Total	Elimination entries	Consolidated balances
Unrestricted net assets:						
Revenues:						
Net patient service revenue	\$ 61,622,119	\$ -	\$ -	\$ 61,622,119	\$ -	\$ 61,622,119
Grant revenue	-	-	12,798,306	12,798,306	(4,652,113)	8,146,193
Other revenue	8,413,942	-	110,238	8,524,180	(1,800,680)	6,723,500
Net assets released from restrictions - operations	242,761	-	-	242,761	-	242,761
Total revenues	<u>70,278,822</u>	<u>-</u>	<u>12,908,544</u>	<u>83,187,366</u>	<u>(6,452,793)</u>	<u>76,734,573</u>
Expenses:						
Salaries and wages	37,570,974	-	4,726,607	42,297,581	-	42,297,581
Supplies and expenses	13,301,713	5,556,299	6,801,107	25,659,119	(6,452,793)	19,206,326
Employee benefits	15,782,890	-	1,380,830	17,163,720	-	17,163,720
Depreciation and amortization	4,022,561	-	982,543	5,005,104	-	5,005,104
Provision for bad debts	594,046	-	-	594,046	-	594,046
Interest	191,832	-	-	191,832	-	191,832
Total expenses	<u>71,464,016</u>	<u>5,556,299</u>	<u>13,891,087</u>	<u>90,911,402</u>	<u>(6,452,793)</u>	<u>84,458,609</u>
Loss from operations	<u>(1,185,194)</u>	<u>(5,556,299)</u>	<u>(982,543)</u>	<u>(7,724,036)</u>	<u>-</u>	<u>(7,724,036)</u>
Nonoperating gains, net:						
Contributions	254,559	332,848	-	587,407	-	587,407
Income from donor-restricted long-term investments	14,438	-	-	14,438	-	14,438
Unrestricted income on investments	523,955	1,281,582	-	1,805,537	-	1,805,537
Realized gains on investments - net	958,419	8,110,884	-	9,069,303	-	9,069,303
Change in unrealized gains and losses on trading securities	2,407,712	7,479,078	-	9,886,790	-	9,886,790
Equity earnings from limited partnerships	-	3,091,822	-	3,091,822	-	3,091,822
Nonoperating gains, net:	<u>4,159,083</u>	<u>20,296,214</u>	<u>-</u>	<u>24,455,297</u>	<u>-</u>	<u>24,455,297</u>
Excess (deficiency) of revenues and nonoperating gains over expenses	2,973,889	14,739,915	(982,543)	16,731,261	-	16,731,261
Other changes in unrestricted net assets:						
Net assets released from restrictions - capital acquisition	16,497	-	920,503	937,000	-	937,000
Other accrued retirement benefit adjustment	4,799,899	-	-	4,799,899	-	4,799,899
Transfers from (to) affiliates	10,000	(528,654)	518,654	-	-	-
Increase in unrestricted net assets	<u>\$ 7,800,285</u>	<u>\$ 14,211,261</u>	<u>\$ 456,614</u>	<u>\$ 22,468,160</u>	<u>\$ -</u>	<u>\$ 22,468,160</u>

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