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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

December 31, 2014 and 2013

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries

We have audited the accompanying consolidated financial statements of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries (the "Organization"), which comprise the consolidated statements of financial position as of December 31, 2014 and 2013, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries as of December 31, 2014 and 2013, 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 29 through 44 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 19, 2015

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2014 and 2013

ASSETS	**2014**	**2013**
CURRENT ASSETS		
Cash and cash equivalents	$ 18,471,300	$ 17,528,815
Short-term investments	158,264	760,261
Assets whose use is limited required for current liabilities	808,678	764,775
Accounts receivable for services to patients - less allowance for uncollectible accounts of $1,165,000 in 2014 and $1,163,000 in 2013	8,662,540	7,725,841
Estimated amounts due from third party payors-net	-	2,746,835
Prepaid expenses	1,602,321	1,627,245
Inventory of supplies	543,542	509,062
Other receivables	3,778,917	2,823,747
Total current assets	34,025,562	34,486,581
Assets whose use is limited		
Foundation funds	93,854,367	97,005,718
Trusteed funds	26,245,577	25,411,971
Self-insurance trust	2,612,707	2,544,780
Restricted use cash	212,678	217,775
Depreciation fund	31,776	31,776
Donor-restricted long-term investments	2,866,329	2,986,897
	125,823,434	128,198,917
Less: assets whose use is limited required for current liabilities	(808,678)	(764,775)
	125,014,756	127,434,142
Deferred financings costs, net	89,924	95,514
Interest rate cap	8,249	39,155
Property, plant and equipment, net	31,391,843	33,326,056
Total assets	$ 190,530,334	$ 195,381,448
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 2,113,507	$ 3,494,949
Accrued expenses	3,398,239	3,343,191
Current portion of long-term debt	597,718	583,382
Estimated self-insurance liabilities	596,000	547,000
Estimated amounts due to third-party payors - net	2,174,360	-
Refundable advances	2,169,915	1,851,692
Accrued retirement benefits	2,018,223	1,803,045
Total current liabilities	13,067,962	11,623,259
Long-term debt, net of current portion	5,832,000	6,429,717
Estimated self-insurance liabilities, net of current portion	2,522,640	2,569,456
Accrued retirement benefits	57,378,641	28,828,756
Total liabilities	78,801,243	49,451,188
NET ASSETS		
Unrestricted	108,318,545	142,492,002
Temporarily restricted	2,622,961	2,650,673
Permanently restricted	787,585	787,585
Total net assets	111,729,091	145,930,260
Total liabilities and net assets	$ 190,530,334	$ 195,381,448

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Operations

For the years ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
REVENUES		
Net patient service revenue	$ 61,126,173	$ 63,332,678
Grant revenue	9,378,985	8,495,706
Other revenue	5,701,698	5,518,598
Medicare technology stimulus revenue	1,314,327	1,723,232
Net assets released from restrictions - operations	398,042	262,311
Total revenues	77,919,225	79,332,525
EXPENSES		
Salaries and wages	47,608,424	45,923,663
Supplies and expenses	18,819,060	19,898,545
Employee benefits	14,050,613	16,547,397
Depreciation and amortization	5,351,832	5,288,659
Provision for bad debts	203,418	268,465
Interest	170,421	192,854
Total expenses	86,203,768	88,119,583
Loss from operations	(8,284,543)	(8,787,058)
NONOPERATING GAINS AND (LOSSES), NET		
Contributions	623,132	838,170
Change in fair value of interest rate cap	(30,906)	15,340
Unrestricted income on investments	1,824,559	2,469,820
Realized gains on investments - net	3,863,183	5,829,368
Change in unrealized gains and losses on trading securities	(3,143,844)	10,731,259
Nonoperating income net	3,136,124	19,883,957
(Deficiency in) excess of revenue and gains over expenses and losses	(5,148,419)	11,096,899
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisition	653,050	700,124
Other accrued retirement benefits adjustment	(29,678,088)	17,456,731
(Decrease) increase in unrestricted net assets	$ (34,173,457)	$ 29,253,754

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

For the years ended December 31, 2014 and 2013

	2014	2013
UNRESTRICTED NET ASSETS		
(Deficiency in) excess of revenue and gains over expenses and losses	$ (5,148,419)	$ 11,096,899
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisitions	653,050	700,124
Other accrued retirement benefits adjustment	(29,678,088)	17,456,731
(Decrease) increase in unrestricted net assets	(34,173,457)	29,253,754
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	545,274	550,989
Contributions	356,770	588,057
Investment return	121,336	440,892
Net assets released from restrictions - operations	(398,042)	(262,311)
Net assets released from restrictions - capital acquisitions	(653,050)	(700,124)
(Decrease) increase in temporarily restricted net assets	(27,712)	617,503
(Decrease) increase in net assets	(34,201,169)	29,871,257
Net assets, beginning of year	145,930,260	116,059,003
Net assets, end of year	$ 111,729,091	$ 145,930,260

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Cash Flows

For the years ended December 31, 2014 and 2013

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
(Decrease) increase in net assets	$ (34,201,169)	$ 29,871,257
Adjustments to reconcile (decrease) increase in net assets to net cash provided by (used in) operating activities		
Depreciation and amortization	5,351,832	5,288,659
Provision for bad debts	203,418	268,465
Change in fair value of interest rate cap	30,906	(15,340)
Realized gains on investments - net	(3,863,183)	(5,829,368)
Change in unrealized gains and losses on trading securities	3,143,844	(10,731,259)
Restricted contributions and investment return	(478,106)	(1,028,949)
Other accrued retirement benefits adjustment	29,678,088	(17,456,731)
Changes in assets and liabilities		
Accounts receivable for services to patients	(1,140,117)	25,361
Prepaid expenses and other assets	(964,726)	(450,810)
Accounts payable	(1,381,442)	6,970
Accrued expenses and other current liabilities	373,271	887,411
Self-insurance liabilities	2,184	248,537
Estimated third-party payor settlements, net	4,921,195	(5,562,685)
Accrued retirement benefits	(913,025)	193,909
Net cash provided by (used in) operating activities before trading securities	762,970	(4,284,573)
Change in investments - trading securities	3,696,819	2,845,527
Net cash provided by (used in) operating activities	4,459,789	(1,439,046)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment, net	(3,412,029)	(4,207,328)
Net cash used in investing activities	(3,412,029)	(4,207,328)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(583,381)	(569,869)
Restricted contributions and investment return	478,106	1,028,949
Net cash (used in) provided by financing activities	(105,275)	459,080
Net increase (decrease) in cash and cash equivalents	942,485	(5,187,294)
Cash and cash equivalents - beginning of year	17,528,815	22,716,109
Cash and cash equivalents - end of year	$ 18,471,300	$ 17,528,815
Supplemental disclosures of cash flow information:		
Interest paid	$ 170,421	$ 192,854

The accompanying notes are an integral part of these consolidated financial 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, which includes income related to investments in limited partnerships measured using a net asset value ("NAV"). The consolidated statements of operations also include the caption "(deficiency in) excess of revenue and gains over expenses and losses," which is the performance indicator. Other changes in unrestricted net assets which are excluded from the performance indicator, consistent with industry practice, include contributions of long-lived assets (including assets acquired using contributions which by donor restriction were to be used for the purposes of acquiring such assets), and other accrued retirement benefits adjustment.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Net patient service revenue, allowance for uncollectible patient accounts receivable, amounts due to/from third-party payors, investments without readily determinable fair values, interest rate cap, estimated self-insurance liabilities, and accrued retirement benefit liabilities represent significant accounting estimates reflected in the consolidated financial statements. Actual results could differ from those estimates. The Organization's net patient service revenue for the years ended December 31, 2014 and 2013, increased by $658,000 and decreased by $186,000, 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, self-insurance trust investments, assets whose use is limited under an indenture agreement (foundation fund), a restricted cash fund and amounts set aside for plant replacement purposes (depreciation fund). Assets whose use is limited classified as current are for the current portion of estimated self-insurance liabilities and restricted cash.

Investments - Classified as Assets Whose Use is Limited

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

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

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

Inventory of Supplies

Inventory of supplies are 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 (deficiency in) excess of revenue and gains over expenses and losses in the consolidated statement of operations.

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

Property, Plant and Equipment

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

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

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

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

Estimated Self-Insurance Liabilities

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

Unrestricted, Temporarily Restricted and Permanently Restricted Net Assets

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

Net Patient Service Revenue

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

Medicare Technology Stimulus Revenue

The American Recovery and Reinvestment Act of 2009 provides for Medicare incentive payments for eligible hospitals and professionals that implement and achieve meaningful use of certified electronic health record ("EHR") technology. For these EHR incentive payments, the Organization utilizes a grant accounting model to recognize these revenues. Under this accounting policy, EHR incentive payments were recognized as revenues when attestation that the EHR meaningful use criteria for the required period of time was demonstrated. Accordingly, the Organization recognized $1,314,327 and $1,723,232 of EHR revenues in the accompanying consolidated statement of operations for the year ended December 31, 2014 and 2013, respectively. The Organization's attestation of compliance with the meaningful use criteria is subject to audit by the government or its designee. Additionally, Medicare EHR incentive payments received are subject to retrospective adjustment upon final settlement of the applicable cost report from which payments were calculated.

Charity Care and Community Benefit

The Organization provides charity care to patients who meet certain financial criteria under the Organizations charity care policy and criteria established by the State of New York. The Organization provides care to patients who meet the criteria without charge or at amounts less than established rates. Because the Organization does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue. Charity care is estimated based on average cost per day. The estimated costs incurred to provide charity care under the Organization's policy during the years ended December 31, 2014 and 2013, was approximately $116,569 and $405,349, 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 or third-party payors to make payment for services. The allowance is determined by analyzing specific accounts and historical data and trends. Patient accounts receivable are charged off against the allowance for uncollectible accounts when management determines that recovery is unlikely and the Organization ceases collection efforts.

Fair Value Measurements

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

Level 1 - Quoted prices are available in publicly traded markets for identical assets or liabilities as of the measurement date.

Level 2 - Pricing inputs, including broker quotes, are generally those other than exchange quoted prices in publicly traded markets, which are either directly or indirectly observable as of the measurement date, and fair value is determined through the use of valuation methodologies. Also included in Level 2 are investments measured using a 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.

Due to/from Broker

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

Reclassifications

Certain amounts in the 2013 consolidated financial statements have been reclassified to conform with the current year presentation. Such reclassification did not change total assets, liabilities, revenues or expenses or changes in net assets reflected on the 2013 consolidated financial statements.

Recent Accounting Pronouncements

In May 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers, to clarify the principles for recognizing revenue and to improve financial reporting by creating common revenue recognition guidance for U.S. GAAP and International Financial Reporting Standards. The core principle of the new guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for these goods and services. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. An entity will apply the amendments in this update using either a full retrospective application, which applies the standard to each prior period presented, on under the modified retrospective application, an entity recognizes the cumulative effect of initially applying the new standard as an adjustment to the opening balance sheet of retained earnings at the date of initial application. Revenue in periods presented before that date will continue to be reported under guidance in effect before the change. Currently, the American Institute of Certified Public Accountants Healthcare Revenue Recognition Task Force is interpreting ASU 2014-09 and its effects on the health care industry.

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 2014 and 2013.

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, 2014 and 2013, assets whose use is limited consist of the following:

	December 31,	
	2014	**2013**
Foundation funds:		
Equity securities	$ 52,786,567	$ 55,219,805
Fixed income	-	1,046,890
Common trust funds/mutual funds	9,677,204	13,125,374
Limited partnerships	27,072,993	27,607,668
Due from broker	4,317,603	5,981
	93,854,367	97,005,718
Trusteed funds:		
Cash and cash equivalents	175,622	833,849
Equity securities	16,592,014	15,733,583
Fixed income	-	1,331,550
Common trust funds/mutual funds	2,565,911	3,086,893
Limited partnerships	5,683,932	4,441,605
Due from (to) broker	1,228,098	(15,509)
	26,245,577	25,411,971
Self-insurance trust:		
Cash and cash equivalents	99,114	208,838
Fixed income	2,513,593	2,335,942
	2,612,707	2,544,780
Restricted use - cash	212,678	217,775
Depreciation fund - cash and cash equivalents	31,776	31,776

	December 31, 2014	December 31, 2013
Donor-restricted long term investments:		
Home Health Education Fund:		
Cash and cash equivalents	$ 7,513	$ 9,937
Equity securities	282,200	269,447
Due to broker	(1,791)	(2,872)
	287,922	276,512
Kennedy Duncan Fund:		
Cash and cash equivalents	91,734	83,878
Equity securities	1,868,065	1,751,192
Due from (to) broker	689	(4,833)
	1,960,488	1,830,237
Employee recognition fund - cash equivalents	104,592	104,506
Restricted - cash	513,327	775,642
Total donor-restricted long-term investments	2,866,329	2,986,897
Total assets whose use is limited	$ 125,823,434	$ 128,198,917

4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS

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

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

December 31, 2014	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 19,707,656	$ -	$ -	$ 19,707,656
Fixed income securities (bond funds and CD's)	2,671,857	-	-	2,671,857
Equity oriented funds	39,272,671	20,685,815	11,570,360	71,528,846
Limited partnerships	-	20,187,300	12,569,625	32,756,925
Common trust funds/mutual funds	-	12,243,115	-	12,243,115
	61,652,184	53,116,230	24,139,985	138,908,399
Interest rate cap	-	8,249	-	8,249
Total assets	$ 61,652,184	$ 53,124,479	$ 24,139,985	$ 138,916,648

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

For the years ended December 31, 2014 and 2013, purchases and sales of Level 3 investments were transfers between Level 1 and Level 3 investments. At December 31, 2013, the Organization transferred $10,102 from Level 3 to Level 2 due to the termination of a fund subsequent December 31, 2013. The following tables summarize changes in fair values associated with Level 3 investments for the years ended December 31, 2014 and 2013:

Level 3 Investments	Balance at December 31, 2013	Net Realized and Unrealized Gains (Losses)	Purchases (Contributions)	Sales (Withdrawals)	Transfers (Net)	Balance at December 31, 2014
Equity - oriented funds	$ 17,192,655	$ (823,845)	$ 2,038,268	$ (6,836,718)	$ -	$ 11,570,360
Limited partnerships	13,573,947	(1,662,322)	1,574,208	(916,208)	-	12,569,625
Total	$ 30,766,602	$ (2,486,167)	$ 3,612,476	$ (7,752,926)	$ -	$ 24,139,985

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

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, 2014 and 2013:

Category	December 31, 2014 Fair Value	December 31, 2013 Fair Value	December 31, 2014 Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Lockup Period/ Remaining Life
Equity oriented funds [a]	$ 32,256,175	$ 29,036,140	$ 95,657	Monthly-Annually	30 - 60 days	180 days
Common trust funds/mutual funds [b]	12,243,115	16,212,267	-	Monthly-Quarterly	15 - 95 days	N/A
Limited partnerships [c]	32,756,925	32,049,273	1,390,808	Monthly or at termination of fund	Ranges between 10 - 15 days and no redemption	1 - 5 Years
	$ 77,256,215	$ 77,297,680	$ 1,486,465			

[a] *Equity oriented funds*: Investments are made up of equity investments in various limited liability companies and open end investment companies, some of which act as feeder funds.

[b] *Common trust funds/mutual funds*: Investments are made up of various private investment funds, common trust funds, credit asset trust, corporate bond trust and investors trust.

[c] *Limited partnerships*: Investments in limited partnerships.

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

5. PERMANENTLY RESTRICTED NET ASSETS

Permanently restricted net assets consisted of the following at December 31, 2014 and 2013:

	2014	2013
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, 2014 and 2013. 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’s Board of Directors in a manner consistent with the standard of prudence prescribed by NYPMIFA.

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

Changes in endowment funds and net assets for the years ended December 31, 2014 and 2013 consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
Endowment funds and net assets, December 31, 2012	$ 1,293,881	$ 787,585	$ 2,081,466
Investment returns:			
Investment loss	(13,115)	-	(13,115)
Net appreciation	453,580	-	453,580
Total investment return	440,465	-	440,465
Appropriation of endowment investment return for expenditure	(400)	-	(400)
Endowment funds and net assets, December 31, 2013	1,733,946	787,585	2,521,531
Investment returns:			
Investment loss	(13,980)	-	(13,980)
Net appreciation	135,072	-	135,072
Total investment return	121,092	-	121,092
Appropriation of endowment investment return for expenditure	(350)	-	(350)
Endowment funds and net assets, December 31, 2014	$ 1,854,688	$ 787,585	$ 2,642,273

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, 2014 and 2013, 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, 2014 and 2013, is as follows:

	2014	2013
Land	$ 176,475	$ 176,475
Land improvements	6,283,451	6,185,902
Buildings	59,181,193	57,771,553
Fixed equipment	28,241,972	28,102,348
Major movable equipment	42,748,198	41,308,492
	136,631,289	133,544,770
Less accumulated depreciation and amortization	(105,596,547)	(100,338,587)
	31,034,742	33,206,183
Construction in progress	357,101	119,873
	$ 31,391,843	$ 33,326,056

Depreciation and amortization expense on property, plant and equipment was $5,340,652 and $5,283,069 at December 31, 2014 and 2013, respectively.

At December 31, 2014 and 2013, included in property, plant and equipment is equipment recorded under a capital lease arrangement with an original cost of $2,882,000. Accumulated amortization on the leased equipment was approximately $1,030,418 and $881,356 at December 31, 2014 and 2013, respectively.

7. LONG-TERM DEBT

Long-term debt as of December 31 consisted of:

	2014	2013
Term loan	$ 5,559,372	$ 5,906,832
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	870,346	1,106,267
	6,429,718	7,013,099
Less current portion	(597,718)	(583,382)
	$ 5,832,000	$ 6,429,717

The Organization has a term loan with a financial institution which was used for renovations to the Institute's "Sturgis" building. The total amount of the term loan was $6,949,216 and has monthly principal payments that began in January 2011 of $28,988, with a balloon payment due January 1, 2018 of $4,515,408. The term loan has a variable interest rate based on monthly LIBOR plus 1.75% (1.90% and 1.92% at December 31, 2014 and 2013, respectively). The term loan is collateralized by certain investments held by the Organization at 110% of the outstanding amount. The term loan has certain financial covenants which are required to be maintained on a quarterly basis.

Additionally, the Organization has an interest rate cap agreement with a financial institution, to limit the impact of increases in the interest rate on their term loan. The notional amount was $6,400,000 and $6,800,000 at December 31, 2014 and 2013, 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, 2014 and 2013 was estimated to be $8,248 and $39,155, respectively, and is separately shown as a non-current asset in the consolidated statement of financial position. The Organization may be exposed to credit loss in the event of nonperformance by the counterparty (JP Morgan) to the interest rate cap agreement. However, the Organization does not anticipate nonperformance as its counterparty is rated Aa1 by Moody's.

Future minimum payments on the long-term debt as of December 31, 2014, are as follows:

Years	**Term Loan**	**Capital Lease Obligation**
2015	347,461	296,469
2016	347,461	296,469
2017	347,461	296,469
2018	4,516,989	74,117
Total	5,559,372	963,524
Less amount representing interest on capital lease obligation	-	(93,178)
	5,559,372	870,346

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 $1,000,000 per claim and $3,000,000 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 $1,938,000 and $1,878,000 at December 31, 2014 and 2013, 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 $14,000 and $19,000, were calculated as of December 31, 2014 and 2013, 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 $1,166,000 and $1,219,000, for the period coverage as of December 31, 2014 and 2013, 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 3.15% and 3.58% at December 31, 2014 and 2013, 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. At December 31, 2014, the mortality table used for projecting the benefit obligation was changed to the RP-2014 Mortality table with Scale MP-2014. 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	
	2014	2013	2014	2013
Obligations and funded status:				
Organization's contributions	$ 2,750,117	$ 3,950,476	$ 119,866	$ 116,552
Benefit payments	(3,839,910)	(3,478,863)	(119,866)	(116,552)
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	(53,690,154)	(26,520,664)	(5,706,710)	(4,111,137)
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	(121,959,760)	(93,436,060)	(5,706,710)	(4,111,137)
Accumulated benefit obligation	(120,976,365)	(93,133,373)	-	-
Fair value of plan assets	68,269,606	66,915,396	-	-
Other accrued retirement benefits adjustment	28,051,237	(15,865,045)	1,626,851	(1,591,686)
Service cost	$ 1,737,471	$ 2,056,637	$ 144,984	$ 197,221
Interest cost	4,555,896	4,149,293	210,332	211,768
Expected return on plan assets	(5,331,704)	(4,712,103)	-	-
Amortization of prior service cost	(520,999)	(520,999)	(150,824)	(94,265)
Recognized actuarial loss (gain)	1,427,706	3,058,616	(115,904)	(85,230)
Net periodic benefit cost	$ 1,868,370	$ 4,031,444	$ 88,588	$ 229,494

At December 31, 2014, the expected estimated aggregate amount from unrestricted net assets into net periodic benefit cost related to net actuarial loss and prior service cost is $3,911,304 and $671,823, respectively.

Weighted-average assumptions used in determining the benefit obligation at December 31, 2014 and 2013, were as follows:

	Defined Benefit Plans		Other Postretirement Benefits	
Assumptions	**2014**	**2013**	**2014**	**2013**
Weighted-average assumptions used in computing benefit obligation at December 31:				
Discount rate	3.99 %	5.09 %	3.89 %	5.10 %
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	3.00	3.00
Ultimate trend rate in 2014 and forward	-	-	3.00	3.00
Weighted-average assumptions used in computing net periodic benefit cost for the years ended December 31:				
Discount rate	5.09	4.29	5.10	4.44
Expected long-term return on assets	8.00	8.00	-	-
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	3.00	4.74
Ultimate trend rate in 2013 and forward	-	-	3.00	3.00

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, 2014 and 2013 is as follows:

	2014	**2013**
Equity securities	46 %	41 %
Common trusts funds/mutual funds	27	39
Cash and cash equivalents	2	5
Limited partnerships	25	15
	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, 2014 and 2013:

December 31, 2014	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 1,159,482	$ -	$ -	$ 1,159,482
Equity securities [a]	12,651,258	18,738,109	-	31,389,367
Common trust funds/mutual funds [b]	11,840,516	6,790,811	-	18,631,327
Limited Partnership [c]	-	17,089,430	-	17,089,430
	$ 25,651,256	$ 42,618,350	$ -	$ 68,269,606

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

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

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

(c) Comprised of investments in limited partnership.

The Plan had unfunded capital commitments of $56,512 at December 31, 2014.

Target Allocations

The Plan's targeted asset allocation is as follows:

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

Contributions

The Organization's required contributions to the defined benefit plans and the postretirement plan in 2015 are approximately $3,500,000 and $145,000, respectively. These contributions represent the amount necessary to meet expected benefit payments for those individuals who are expected to terminate or retire during 2014 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
2015	$ 6,594,847	$ 144,893
2016	4,903,373	158,671
2017	5,111,566	168,432
2018	5,391,567	177,647
2019	5,722,010	191,480
2020 - 2024	32,438,370	1,190,213

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, 2014 and 2013, was approximately $259,627 and $421,943, 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, 2014 and 2013, are as follows:

	2014	2013
Medicare	44 %	50 %
Blue Cross	19	13
Medicaid	1	2
Other third-party payors	33	32
Patients	3	3
	100 %	100 %

The Medicare program approximated 67% of net patient service revenue for the years ended December 31, 2014 and 2013.

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, 2014, as follows:

Years	
2015	$ 678,738
2016	612,756
2017	420,633
2018	335,243
2019	158,004
Thereafter	129,990
Total	$ 2,335,364

Rental expense amounted to $692,393 and $581,112 for the years ended December 31, 2014 and 2013, 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, 2014 and 2013, are as follows:

	2014	2013
Health care services	$ 48,268,808	$ 50,523,931
General and administrative	29,608,129	31,200,424
Research	8,326,831	7,395,228
Total expenses	$ 86,203,768	$ 89,119,583

13. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2014 consolidated financial statements for subsequent events through May 19, 2015, 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.

SUPPLEMENTARY INFORMATION

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Net Patient Service Revenue

For the years ended December 31, 2014 and 2013

	2014			2013		
	Inpatient	**Outpatient**	**Total**	**Inpatient**	**Outpatient**	**Total**
ROUTINE PATIENT CARE	$ 60,955,900	$ -	$ 60,955,900	$ 61,985,500	$ -	$ 61,985,500
PHYSICIAN FEES	2,448,712	395	2,449,107	2,713,452	236	2,713,688
OTHER PROFESSIONAL SERVICES						
Radiology - diagnostic	580,900	220,307	801,207	381,918	250,160	632,078
Laboratory	2,698,548	-	2,698,548	2,676,350	237	2,676,587
Electrocardiography	452,126	1,490,812	1,942,938	518,323	1,222,952	1,741,275
Physical therapy	13,199,079	15,126,968	28,326,047	13,401,808	12,017,076	25,418,884
Respiratory therapy	2,918,093	-	2,918,093	2,425,836	-	2,425,836
Occupational therapy	11,651,279	1,311,159	12,962,438	12,049,797	1,066,392	13,116,189
Central services	1,572,249	7,706	1,579,955	1,532,205	8,088	1,540,293
Pharmacy	4,919,834	22,513	4,942,347	5,657,629	28,629	5,686,258
Speech and hearing	2,276,457	658,235	2,934,692	2,261,672	501,634	2,763,306
Orthotics and prosthetics	210,229	-	210,229	253,387	1,330	254,717
Other	-	-	-	-	325	325
Total other professional services	40,478,794	18,837,700	59,316,494	41,158,925	15,096,823	56,255,748
Total patient care revenue - gross charges	103,883,406	18,838,095	122,721,501	105,857,877	15,097,059	120,954,936
LESS CONTRACTUAL ALLOWANCES	(52,326,960)	(9,268,368)	(61,595,328)	(50,201,619)	(7,420,639)	(57,622,258)
Net patient service revenue	$ 51,556,446	$ 9,569,727	$ 61,126,173	$ 55,656,258	$ 7,676,420	$ 63,332,678

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Other Revenue and Net Assets Released From Restrictions - Operations
For the years ended December 31, 2014 and 2013

	2014	2013
OTHER REVENUE		
Employees’ benefit contributions	$ 902,132	$ 801,476
Purchase discounts	9,921	4,489
Sale of medical abstracts	2,344	2,152
Community fitness center	567,285	535,376
Rental of space	1,062,132	1,011,803
Apartment housing rental	445,775	423,450
Offsite programs	2,702,084	2,544,749
Miscellaneous	10,025	195,103
Total other revenue	$ 5,701,698	$ 5,518,598
NET ASSETS RELEASED FROM RESTRICTIONS - OPERATIONS		
Accorda Studies	$ 12,428	$ 39,054
Balcofen Study	-	20,655
Kohlberg Grant	51,041	39,277
Neuro Rehab Fellowship	120,000	-
Gift Shop	47,112	33,209
Wheelchair Athletics	22,311	18,732
Will Rogers Pulmonary Fund	80,000	95,000
Yale Iris Study	33,556	-
Other	31,594	16,384
Total net assets released from restrictions - operations	$ 398,042	$ 262,311

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund
For the years ended December 31, 2014 and 2013

	Net Assets December 31, 2013	Contributions	Investments Return	Net Assets Released from Restrictions: Operations	Net Assets Released from Restrictions: Capital Acquisitions	Net Assets December 31, 2014
Audio-visual Laboratory	$ 753	$ -	$ -	$ -	$ -	$ 753
Accorda Studies	12,428	-	-	12,428	-	-
ARA Research Institute	15,815	-	-	-	-	15,815
Baclofen Study	-	24,730	-	-	-	24,730
Kohlberg Grant	70,723	-	-	51,041	-	19,682
Burke Gift Shop	196,264	59,357	248	47,106	62,801	145,962
Child Care Fund	454	-	-	-	-	454
Design for Disabled	1,772	-	-	-	-	1,772
Employee Recognition	2,025	8,410	85	8,594	-	1,926
Goldstein Foundation	-	50,000	-	-	-	50,000
Gisondi Alz Rehab	20,000	15,000	-	-	-	35,000
Heart Monitor Fund	2,773	500	-	-	-	3,273
Home Health Education Fund	124,043	-	11,410	-	-	135,453
IMPAX Spinal Cord Injury	3,250	-	-	-	-	3,250
Kennedy Duncan Fund	1,609,509	-	109,593	-	-	1,719,102
Leahy Pulmonary Fund	106,444	200	-	790	-	105,854
Medical Director	39,167	-	-	-	-	39,167
Myerson Equipment Fund	89	-	-	-	-	89
Nielsen Foundation Handcycling	35,583	-	-	-	35,583	-
Novella Clinic Study	1,425	23,482	-	529	-	24,378
Nuero Rehab Fellowship	120,000	-	-	120,000	-	-
Patient Greenhouse Fund	6,603	2,275	-	6,874	-	2,004
Prosthetic Fund	30,928	2,745	-	2,231	-	31,442
Quintiles Drug Study - E2020	499	-	-	-	-	499
Opteminsight	950	-	-	-	-	950
Rheumatology	5,879	-	-	-	-	5,879
Social Service	24,568	5,500	-	(929)	-	30,997
Speech and Hearing	10,275	-	-	-	-	10,275
Spinal Cord Studies	14,250	-	-	9,264	-	4,986
Sports Neurology	8,215	-	-	1,750	-	6,465
Vocational Education	4,977	-	-	2,490	-	2,487
Volunteers Fund	15,675	5,025	-	-	5,605	15,095
Wheelchair Athletics	165,337	32,465	-	22,318	3,787	171,697
Will Rogers Fund	-	80,000	-	80,000	-	-
Yale IRIS Study	-	47,081	-	33,556	-	13,525
	$ 2,650,673	$ 356,770	$ 121,336	$ 398,042	$ 107,776	$ 2,622,961

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2014 and 2013

	2014			2013		
MEDICAL REHABILITATION SERVICES	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**
NURSING AND MEDICAL						
General nursing	$ 12,587,553	$ 594,447	$ 13,182,000	$ 12,543,563	$ 492,257	$ 13,035,820
Medical services	8,130,624	1,246,589	9,377,213	7,416,085	1,125,298	8,541,383
Admitting	260,649	5,324	265,973	257,672	5,839	263,511
General services	87,611	328,714	416,325	86,217	298,884	385,101
Total nursing and medical	21,066,437	2,175,074	23,241,511	20,303,537	1,922,278	22,225,815
OTHER PROFESSIONAL						
Radiology - diagnostic	165,724	153,549	319,273	220,230	154,775	375,005
Laboratory	-	759,502	759,502	-	749,237	749,237
Electrocardiography	223,361	47,327	270,688	214,283	49,093	263,376
Physical therapy	4,725,190	179,984	4,905,174	4,705,733	176,269	4,882,002
Occupational therapy	2,619,090	61,281	2,680,371	2,697,022	76,374	2,773,396
Pharmacy	910,781	1,153,006	2,063,787	888,389	1,117,445	2,005,834
Speech and hearing	835,678	12,372	848,050	822,274	15,824	838,098
Orthotics and prosthetics	-	171,553	171,553	-	218,731	218,731
Medical records	276,368	69,375	345,743	290,273	55,345	345,618
Social service	783,043	20,569	803,612	877,097	17,923	895,020
Total other professional	10,539,235	2,628,518	13,167,753	10,715,301	2,631,016	13,346,317
AMBULATORY CARE	92,416	798	93,214	87,872	675	88,547
GENERAL SERVICES						
Dietary	1,363,939	1,151,740	2,515,679	1,361,643	1,142,018	2,503,661
Operation and maintenance of plant	1,881,572	2,095,261	3,976,833	1,869,945	2,303,303	4,173,248
Housekeeping	1,026,883	420,998	1,447,881	1,027,162	412,214	1,439,376
Laundry and linen	97,533	2,795	100,328	106,823	5,452	112,275
Total general services	$ 4,369,927	$ 3,670,794	$ 8,040,721	$ 4,365,573	$ 3,862,987	$ 8,228,560

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2014 and 2013

	2014			2013		
MEDICAL REHABILITATION SERVICES	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**
ADMINISTRATIVE AND FISCAL SERVICES						
Executive office	$ 600,949	$ 1,526,193	$ 2,127,142	$ 580,032	$ 1,539,872	$ 2,119,904
Fiscal office	2,170,388	528,589	2,698,977	2,146,412	491,895	2,638,307
Personnel	531,644	255,971	787,615	518,587	235,074	753,661
Purchasing and storeroom	225,294	4,932	230,226	224,432	5,096	229,528
Communication	123,991	128,489	252,480	121,133	124,743	245,876
Volunteer service	71,724	2,823	74,547	67,233	3,485	70,718
Data processing	1,106,904	1,229,930	2,336,834	1,035,572	1,092,182	2,127,754
Insurance	-	706,768	706,768	-	1,347,508	1,347,508
Public relations	179,647	741,114	920,761	159,058	740,319	899,377
Development	410,475	229,731	640,206	402,326	216,414	618,740
Managed care	-	-	-	-	-	-
Total administrative and fiscal services	5,421,016	5,354,540	10,775,556	5,254,785	5,796,588	11,051,373
PROVISION FOR BAD DEBTS	-	203,418	203,418	-	268,465	268,465
EMPLOYEE BENEFITS						
Pension and other postretirement benefit expenses	-	2,703,226	2,703,226	-	4,935,818	4,935,818
Federal Insurance Contributions Act taxes	-	3,035,473	3,035,473	-	2,954,156	2,954,156
Health insurance	-	6,163,832	6,163,832	-	6,429,875	6,429,875
Workers' compensation insurance	-	561,716	561,716	-	523,780	523,780
Unemployment insurance	-	40,542	40,542	-	49,823	49,823
Disability insurance	-	47,779	47,779	-	47,670	47,670
Total employee benefits	-	12,552,568	12,552,568	-	14,941,122	14,941,122
INTEREST	-	59,964	59,964	-	73,511	73,511
DEPRECIATION AND AMORTIZATION	-	3,939,144	3,939,144	-	3,935,074	3,935,074
Total medical rehabilitation services	$ 41,489,031	$ 30,584,818	$ 72,073,849	$ 40,727,068	$ 33,431,716	$ 74,158,784

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2014 and 2013

	2014			2013		
MEDICAL REHABILITATION SERVICES	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**	**Salaries and Wages**	**Supplies and Other Expenses**	**Total**
FOUNDATION SERVICES						
Grantor services	$ -	$ 4,927,671	$ 4,927,671	$ -	$ 5,158,751	$ 5,158,751
Management and general	-	559,175	559,175	-	1,314,723	1,314,723
Total foundation services	-	5,486,846	5,486,846	-	6,473,474	6,473,474
MEDICAL RESEARCH SERVICES						
Medical research	4,052,442	3,220,758	7,273,200	3,528,888	3,274,263	6,803,151
Employee benefits - medical research	-	1,181,961	1,181,961	-	1,087,793	1,087,793
Management and general	1,629,951	2,804,780	4,434,731	1,667,707	2,729,360	4,397,067
Interest expense	-	110,457	110,457	-	119,343	119,343
Employee benefits - management and general	-	475,402	475,402	-	518,482	518,482
Salary and employee benefits - other	437,000	(159,318)	277,682	-	-	-
Depreciation	-	1,407,097	1,407,097	-	1,353,585	1,353,585
Total medical research services	6,119,393	9,041,137	15,160,530	5,196,595	9,082,826	14,279,421
Subtotal expenses	47,608,424	45,112,801	92,721,225	45,923,663	48,988,016	94,911,679
CONSOLIDATING ENTRIES	-	(6,517,457)	(6,517,457)	-	(6,792,096)	(6,792,096)
Consolidated expenses	$ 47,608,424	$ 38,595,344	$ 86,203,768	$ 45,923,663	$ 42,195,920	$ 88,119,583

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2014 and 2013

Account Name	Refundable Advances December 31, 2013	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2014
PRIVATE GRANTS								
EISAI- Jordan	$ 1,478	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,478
National Parkinsons	-	-	-	-	-	-	5,000	5,000
Lupus Foundation	-	-	-	-	-	-	-	-
Hunter College	-	-	-	-	-	-	-	-
Overbrook	15,302	-	-	3,836	-	-	-	11,466
Cardiac Fund	8,318	-	-	-	-	-	-	8,318
Forrest Pharmaceutical	277	-	-	-	-	-	-	277
Scallon	157	-	-	-	-	-	-	157
Korean University	57	-	-	-	-	-	-	57
Animal Care Center	161,241	-	-	(16,623)	-	-	-	177,864
Fujisawa Corp	1,265	-	-	-	-	-	-	1,265
UCSD Coop Study	-	-	-	-	-	-	-	-
Mitro Defects-Gibson	4,781	-	-	(234)	-	-	-	5,015
Cornell Fellowship	-	-	-	-	-	-	-	-
Mt. Sinai	21,300	-	-	10,948	-	-	-	10,352
Dana Foundation	-	-	-	(3,046)	-	-	(3,046)	-
Hartman Foundation	81,941	-	-	50,000	-	-	-	31,941
Cornell Neuroprotection	-	-	-	(6,653)	-	-	(6,653)	-
Fara Microrns	-	-	-	(6,573)	-	-	(6,573)	-
IRSF Fund	8,111	-	-	6,625	-	-	-	1,486
Donald Sperling Fund	28,405	250	-	-	-	-	-	28,655
Allen & Co. Goldfine	9,256	4,333	-	6,253	-	556	(2,333)	4,447
Hoffman LaRoche	13,762	-	-	13,762	-	-	-	-
Novartis Jordan	51,078	-	-	-	-	-	-	51,078
Dana Foundation- Elder	44,693	-	-	30,833	-	-	-	13,860

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2014 and 2013

Account Name	Refundable Advances December 31, 2013	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2014
Reeve Foundation	$ 12,446	$ -	$ -	$ -	$ -	$ -	$ -	$ 12,446
Johnson & Johnson	3,309	5,000	-	434	352	-	-	7,523
Carmel Funds	150,788	19,828	-	84,087	-	29,518	4,000	61,011
March of Dimes	19,530	-	-	16,805	1,680	-	-	1,045
Adelson Foundation	222,389	-	-	201,646	-	-	(20,743)	-
American Diabetes Assoc.	-	103,500	-	87,106	13,066	-	(840)	2,488
Stealth Peptides	-	172,927	-	128,972	25,794	-	(18,161)	-
CHDI Mito Dysfunction	-	201,717	-	128,043	15,537	-	(58,137)	-
US Israel Binational	14,680	-	-	19,267	2,890	-	7,477	-
Adelson-Langley	259,970	-	-	275,017	-	3,065	18,112	-
Visual Rehab	12,465	-	-	-	-	-	-	12,465
Reeve Foundation - Zhong	250	-	-	-	-	-	-	250
Pacific Northwest Labs	-	9,205	-	13,113	800	-	4,708	-
Restore Neuro Clinic	11,833	243,500	-	165,874	28,199	3,128	56,403	114,535
Clinical SCI PR	10,823	14,840	-	3,179	-	-	(7,999)	14,485
Adelson Edwards	-	-	-	34,908	-	-	34,984	76
Brain Map Study Labar	2,246	140	-	-	-	-	-	2,386
Retinal Photo- Prusky	-	13,323	-	-	-	-	(10,655)	2,668
USMA - O'Donovan	-	197,600	-	99,071	-	-	(49,643)	48,886
Carvel- Friel	99,517	-	-	23,551	-	-	-	75,966
Carvel- Donohoe	99,059	-	-	57,392	-	-	-	41,667
Carvel- Carmel	107,428	-	-	54,218	-	-	-	53,210
Carvel- Prusky	76,754	-	-	36,653	-	-	-	40,101
Pathmaker Mobility	24,070	-	-	(930)	-	-	(25,000)	-
Skirball- Edwards	50,000	-	-	3,170	-	3,143	21,000	64,687
NRF Korea	31,022	-	-	-	-	-	-	31,022
Retinal Research	20,000	10,000	-	3,285	-	-	-	26,715
Willis Research Fund	7,050	-	-	-	-	-	-	7,050
Goldsmith D	-	-	-	51,157	-	-	-	(51,157)
Skirball - Hill	-	99,936	-	-	-	100,000	64	-
Run 4 Brad	-	430,223	-	64,300	-	148,813	1,437	218,547
Travis Roy Fund	-	121,086	-	75,738	-	-	-	45,348

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Refundable Advances and Grant Revenue

For the years ended December 31, 2014 and 2013

Account Name	Refundable Advances December 31, 2013	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2014
Nexstim NBT Fund	$ -	$ 30,646	$ -	$ 156,283	$ 26,568	$ -	$ 152,205	$ -
Ashen Fund - Carmel	-	490,344	-	49,652	-	-	(326,896)	113,796
Ashen Fund - Donohoe	-	-	-	48,612	-	-	163,448	114,836
Ashen Fund - Gupta`	-	-	-	20,805	-	-	163,448	142,643
Vagus Nerve Stimulation	-	-	-	16,570	15,742	-	32,312	-
Neilsen Foundation	-	150,000	-	58,577	-	16,423	-	75,000
Cornell Auditory Attention	-	-	-	25,125	-	-	25,125	-
Regeneron Autoimmune	-	-	-	15,230	4,569	-	19,799	-
JDRF Neuro Vascular	-	98,970	-	56,358	5,614	1,043	-	35,955
Cornell D Beta Hydroxy	-	-	-	26,800	-	-	26,800	-
Harvey Kelsey Fund	-	2,300	-	-	-	-	-	2,300
Wings for Life Fund	-	76,169	-	25,829	-	-	-	50,340
Columbia Marshal Fund	-	-	-	10,500	9,975	-	20,475	-
SCI Infra Hill Fund	-	-	-	39,540	-	-	39,540	-
SCI Infra Willis Fund	-	-	-	98,684	-	-	98,684	-
Daedalus Fund	-	-	-	8,012	-	-	8,012	-
ADDF Benfotimine Fund	-	125,000	-	27,916	-	-	-	97,084
Donohoe Private Funds	-	6,990	-	-	-	-	(740)	6,250
SCI Equipment	-	-	-	-	-	139,607	139,607	-
Putrino Private Funds	-	10,000	-	-	-	-	-	10,000
NYS Legislative Carmel	-	-	-	6,854	-	-	6,854	-
NYS Retinal Study	-	51,722	-	86,847	17,369	-	52,494	-
Stroke Research	20,068	1,540	-	-	-	-	-	21,608
NYS SCIRB - Langley	-	72,515	-	(7,700)	(1,540)	-	(80,524)	1,231
Alzheimer's Disease- Shi	234	22,487	-	234	-	-	(22,487)	-
NYS Alzheimer's Disease - Jordan	-	23,887	-	117,038	-	-	93,151	-
Alzheimer’s Research	138	9,303	-	-	-	-	-	9,441
Acorda - Carmel	-	68,438	-	32,832	8,208	-	-	27,398
Research Fund	11,510	6,500	-	-	-	-	-	18,010
Medical Directors Fund	586	50,020	-	18,981	-	-	-	31,625
Burke Foundation Grant	-	12,070	-	-	-	-	-	12,070

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2014 and 2013

Account Name	Refundable Advances December 31, 2013	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2014
Goldsmith Foundation A	$ 45,946	$ 75,000	$ -	$ 39,318	$ -	$ 28,595	$ -	$ 53,033
Goldsmith Foundation B	34,909	75,000	-	-	-	-	-	109,909
Goldsmith Foundation C	51,250	-	-	-	-	-	-	51,250
Dr. I. Foundation	-	-	-	-	-	-	-	-
Total private grants	$ 1,851,692	$ 3,106,309	$ -	$ 2,694,081	$ 174,823	$ 473,891	$ 554,709	$ 2,169,915
FEDERAL GRANTS								
NIA-Mitochondrial Dysfunction in Aging	$ -	$ -	$ 1,479,695	$ 499,545	$ 376,158	$ 603,992	$ -	$ -
NINDS-Injury and adaptation in the developing rat corticospinal	-	-	180,023	166,688	13,335	-	-	-
NINDS-HDAC6: Target for regeneration following injury	-	-	412,640	213,428	172,876	26,336	-	-
NICHHD-Transcranial Direct Current Stimulation & Robotics	-	-	590,019	221,547	189,020	179,452	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve	-	-	495,708	309,543	165,729	20,436	-	-
NINDS-Impact of BDNF SNP on stroke-induced plasticity	-	-	381,412	206,169	175,243	-	-	-
NIH-Role of CD36 in Ischemic Inflammation	-	-	460,496	243,292	197,066	20,138	-	-
NIMH-Allelic Choice in Rett Syndrome	-	-	383,823	218,952	164,871	-	-	-
NEI-Retinal Neural Processing During Retinal Degenerative	-	-	411,524	234,754	176,770	-	-	-
NINDS-Using transcription factors to enhance transplanted	-	-	195,553	100,284	95,269	-	-	-
NICHHD-Assessing arousal regulation in post-stroke apathy	-	-	21,938	20,313	1,625	-	-	-
NICHHD-Non-invasive stimulation for improving motor function	-	-	251,753	114,761	109,023	27,969	-	-
NINDS-Mechanisms of cerebral palsy recovery induced by balancing	-	-	104,637	110,015	8,801	(14,179)	-	-
NICHHD-Impact of motor connectivity on efficacy of hand therapy	-	-	109,993	56,407	53,586	-	-	-
NICHHD-Neural predictors of hand therapy efficacy in children	-	-	24,621	12,626	11,995	-	-	-
NIA-Benfotiamine in Alzheimer's Disease	-	-	81,800	41,949	39,851	-	-	-
NIA-Plasticity in Aging	-	-	450,556	248,926	201,630	-	-	-
Total federal grants	-	-	6,036,191	3,019,199	2,152,848	864,144	-	-
Totals	$ 1,851,692	$ 3,106,309	$ 6,036,191	$ 5,713,280	$ 2,327,671	$ 1,338,035	$ 554,709	$ 2,169,915

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2014

ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
CURRENT ASSETS						
Cash and cash equivalents	$ 13,601,956	$ 3,020,131	$ 1,849,213	$ 18,471,300	$ -	$ 18,471,300
Short investments	158,264	-	-	158,264	-	158,264
Assets whose use is limited required for current liabilities	808,678	-	-	808,678	-	808,678
Accounts receivable for services to patients - net	8,662,540	-	-	8,662,540	-	8,662,540
Prepaid expenses	1,458,963	-	143,358	1,602,321	-	1,602,321
Inventory of supplies	543,542	-	-	543,542	-	543,542
Due from affiliated organizations	667,298	-	-	667,298	(667,298)	-
Other receivables	1,455,214	17,495	2,306,208	3,778,917	-	3,778,917
Total current assets	27,356,455	3,037,626	4,298,779	34,692,860	(667,298)	34,025,562
ASSETS WHOSE USE IS LIMITED						
Foundation funds	-	93,854,367	-	93,854,367	-	93,854,367
Trusteed funds	26,245,577	-	-	26,245,577	-	26,245,577
Self-insurance trust	2,612,707	-	-	2,612,707	-	2,612,707
Restricted use cash	212,678	-	-	212,678	-	212,678
Depreciation fund	31,776	-	-	31,776	-	31,776
Donor-restricted long-term investments	2,866,329	-	-	2,866,329	-	2,866,329
	31,969,067	93,854,367	-	125,823,434	-	125,823,434
Less: assets whose use is limited required for current liabilities	(808,678)	-	-	(808,678)	-	(808,678)
	31,160,389	93,854,367	-	125,014,756	-	125,014,756
Deferred financing costs - net	-	-	89,924	89,924	-	89,924
Interest rate cap	-	-	8,249	8,249	-	8,249
Property, plant and equipment - net	22,217,173	-	9,174,670	31,391,843	-	31,391,843
Total assets	$ 80,734,017	$ 96,891,993	$ 13,571,622	$ 191,197,632	$ (667,298)	$ 190,530,334

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statements of Financial Position
As of December 31, 2014

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
CURRENT LIABILITIES						
Accounts payable	$ 1,671,717	$ 29,094	$ 412,696	$ 2,113,507	$ -	$ 2,113,507
Accrued expenses	2,543,336	-	854,903	3,398,239	-	3,398,239
Current portion of long-term debt	250,257	-	347,461	597,718	-	597,718
Estimated self-insurance liabilities	596,000	-	-	596,000	-	596,000
Third party payables	2,174,360	-	-	2,174,360	-	2,174,360
Refundable advances	-	-	2,169,915	2,169,915	-	2,169,915
Accrued retirement benefits	2,018,223	-	-	2,018,223	-	2,018,223
Due to affiliated organizations	-	155,109	512,189	667,298	(667,298)	-
Total current liabilities	9,253,893	184,203	4,297,164	13,735,260	(667,298)	13,067,962
Long-term debt, net of current portion	620,089	-	5,211,911	5,832,000	-	5,832,000
Estimated self-insurance liabilities, net of current portion	2,522,640	-	-	2,522,640	-	2,522,640
Accrued retirement benefits	57,378,641	-	-	57,378,641	-	57,378,641
Total liabilities	69,775,263	184,203	9,509,075	79,468,541	(667,298)	78,801,243
NET ASSETS						
Unrestricted	7,548,208	96,707,791	4,062,546	108,318,545	-	108,318,545
Temporarily restricted	2,622,961	-	-	2,622,961	-	2,622,961
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	10,958,754	96,707,791	4,062,546	111,729,091	-	111,729,091
Total liabilities and net assets	$ 80,734,017	$ 96,891,994	$ 13,571,621	$ 191,197,632	$ (667,298)	$ 190,530,334

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

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

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

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

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

LIABILITIES AND NET ASSETS	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
CURRENT LIABILITIES						
Accounts payable	$ 2,629,059	$ 195,917	$ 669,973	$ 3,494,949	$ -	$ 3,494,949
Accrued expenses	2,490,179	-	853,012	3,343,191	-	3,343,191
Current portion of long-term debt	235,921	-	347,461	583,382	-	583,382
Estimated self-insurance liabilities	547,000	-	-	547,000	-	547,000
Refundable advances	-	-	1,851,692	1,851,692	-	1,851,692
Accrued retirement benefits	1,803,045	-	-	1,803,045	-	1,803,045
Due to affiliated organizations	-	423,279	-	423,279	(423,279)	-
Total current liabilities	7,705,204	619,196	3,722,138	12,046,538	(423,279)	11,623,259
Long-term debt, net of current portion	870,345	-	5,559,372	6,429,717	-	6,429,717
Estimated self-insurance liabilities, net of current portion	2,569,456	-	-	2,569,456	-	2,569,456
Accrued retirement benefits	28,828,756	-	-	28,828,756	-	28,828,756
Total liabilities	39,973,761	619,196	9,281,510	49,874,467	(423,279)	49,451,188
NET ASSETS						
Unrestricted	37,585,614	100,357,278	4,549,110	142,492,002	-	142,492,002
Temporarily restricted	2,650,673	-	-	2,650,673	-	2,650,673
Permanently restricted	787,585	-	-	787,585	-	787,585
Total net assets	41,023,872	100,357,278	4,549,110	145,930,260	-	145,930,260
Total liabilities and net assets	$ 80,997,633	$ 100,976,474	$ 13,830,620	$ 195,804,727	$ (423,279)	$ 195,381,448

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statement of Operations
For the year ended December 31, 2014

	Hospital	Foundation	Institute	Total	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS						
REVENUES						
Net patient service revenue	$ 61,126,173	$ -	$ -	$ 61,126,173	$ -	$ 61,126,173
Grant revenue	-	-	13,643,645	13,643,645	(4,264,660)	9,378,985
Other revenue	7,853,777	-	100,718	7,954,495	(2,252,797)	5,701,698
Medicare technology stimulus revenue	1,314,327	-	-	1,314,327	-	1,314,327
Net assets released from restrictions - operations	398,042	-	-	398,042	-	398,042
Total revenues	70,692,319	-	13,744,363	84,436,682	(6,517,457)	77,919,225
EXPENSES						
Salaries and wages	41,489,031	-	6,119,393	47,608,424	-	47,608,424
Supplies and expenses	13,829,724	5,486,846	6,019,947	25,336,517	(6,517,457)	18,819,060
Employee benefits	12,552,568	-	1,498,045	14,050,613	-	14,050,613
Depreciation and amortization	3,939,144	-	1,412,688	5,351,832	-	5,351,832
Provision for bad debts	203,418	-	-	203,418	-	203,418
Interest	59,964	-	110,457	170,421	-	170,421
Total expenses	72,073,849	5,486,846	15,160,530	92,721,225	(6,517,457)	86,203,768
Loss from operations	(1,381,530)	(5,486,846)	(1,416,167)	(8,284,543)	-	(8,284,543)
NONOPERATING GAINS AND (LOSSES) - NET						
Contributions	94,982	528,150	-	623,132	-	623,132
Change in fair value of interest rate cap	-	-	(30,906)	(30,906)	-	(30,906)
Unrestricted income on investments	513,467	1,311,092	-	1,824,559	-	1,824,559
Realized gains (losses) on investments - net	558,694	3,304,489	-	3,863,183	-	3,863,183
Change in unrealized gains and losses on trading securities	(252,709)	(2,891,135)	-	(3,143,844)	-	(3,143,844)
Nonoperating income - net	914,434	2,252,596	(30,906)	3,136,124	-	3,136,124
Excess of revenue (deficiency in) and gains over expenses and losses	(467,096)	(3,234,250)	(1,447,073)	(5,148,419)	-	(5,148,419)
OTHER CHANGES IN UNRESTRICTED NET ASSETS						
Net assets released from restrictions - capital acquisition	107,776	-	545,274	653,050	-	653,050
Other accrued retirement benefit adjustment	(29,678,088)	-	-	(29,678,088)	-	(29,678,088)
Transfers from (to) affiliates	-	(415,234)	415,234	-	-	-
Increase (decrease) in unrestricted net assets	$ (30,037,408)	$ (3,649,484)	$ (486,565)	$ (34,173,457)	$ -	$ (34,173,457)

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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Consolidating Statement of Operations
For the year ended December 31, 2013

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

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