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

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

December 31, 2015 and 2014

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, 2015 and 2014, 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, 2015 and 2014, 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 31 through 47 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. The consolidating information on pages 42 through 47 is presented for purposes of additional analysis, rather than to present the financial position, results of operations, and cash flows of the individual entities (or, organizations or companies), 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 31, 2016

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidated Statements of Financial Position

As of December 31, 2015 and 2014

ASSETS	2015	2014
CURRENT ASSETS		
Cash and cash equivalents	$ 10,543,925	$ 18,471,300
Short-term investments	305,403	158,264
Assets whose use is limited required for current liabilities	639,435	808,678
Accounts receivable for services to patients - less allowance for uncollectible accounts of $ 1,168,000 in 2015 and $1,165,000 in 2014	9,556,631	8,662,540
Prepaid expenses	2,034,697	1,602,321
Inventory of supplies	543,003	543,542
Other receivables	2,147,062	3,778,917
Total current assets	25,770,156	34,025,562
Assets whose use is limited		
Foundation funds	82,985,296	93,854,367
Trusteed funds	24,712,105	26,245,577
Self-insurance trust	2,206,145	2,612,707
Restricted use cash	223,435	212,678
Depreciation fund	31,776	31,776
Donor-restricted long-term investments	3,403,100	2,866,329
	113,561,857	125,823,434
Less: assets whose use is limited required for current liabilities	(639,435)	(808,678)
	112,922,422	125,014,756
Deferred financings costs, net	84,332	89,924
Interest rate cap	236	8,249
Property, plant and equipment, net	30,704,874	31,391,843
Total assets	$ 169,482,020	$ 190,530,334
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Accounts payable	$ 2,109,350	$ 2,113,507
Accrued expenses	3,280,016	3,398,239
Current portion of long-term debt	612,924	597,718
Estimated self-insurance liabilities	416,000	596,000
Estimated amounts due to third-party payors - net	647,189	2,174,360
Refundable advances	1,837,187	2,169,915
Accrued retirement benefits	2,119,019	2,018,223
Total current liabilities	11,021,685	13,067,962
Long-term debt, net of current portion	5,219,077	5,832,000
Estimated self-insurance liabilities, net of current portion	1,814,889	2,522,640
Accrued retirement benefits	56,221,040	57,378,641
Total liabilities	74,276,691	78,801,243
NET ASSETS		
Unrestricted	91,523,082	108,318,545
Temporarily restricted	2,894,662	2,622,961
Permanently restricted	787,585	787,585
Total net assets	95,205,329	111,729,091
Total liabilities and net assets	$ 169,482,020	$ 190,530,334

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, 2015 and 2014

	2015	2014
REVENUES		
Net patient service revenue	$ 60,706,321	$ 61,126,173
Grant revenue	10,695,361	9,378,985
Other revenue	5,933,260	5,701,698
Medicare technology stimulus revenue	-	1,314,327
Net assets released from restrictions - operations	226,975	398,042
Total revenues	77,561,917	77,919,225
EXPENSES		
Salaries and wages	48,607,312	47,608,424
Supplies and expenses	18,665,525	18,819,060
Employee benefits	18,399,886	14,050,613
Depreciation and amortization	5,351,397	5,351,832
Provision for bad debts	290,078	203,418
Interest	151,694	170,421
Total expenses	91,465,892	86,203,768
Loss from operations	(13,903,975)	(8,284,543)
NONOPERATING GAINS AND (LOSSES), NET		
Contributions	717,300	623,132
Corporate restructuring costs	(1,946,729)	-
Investment return - net	(5,756,689)	2,543,898
Change in fair value of interest rate cap	(8,014)	(30,906)
Gain/losses on disposal of assets	(693)	-
Nonoperating (loss) gain, net	(6,994,825)	3,136,124
Deficiency in revenue and gains over expenses and losses	(20,898,800)	(5,148,419)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisition	1,279,577	653,050
Other accrued retirement benefits adjustment	2,823,760	(29,678,088)
Decrease in unrestricted net assets	$ (16,795,463)	$ (34,173,457)

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, 2015 and 2014

	2015	2014
UNRESTRICTED NET ASSETS		
Deficiency in revenue and gains over expenses and losses	$ (20,898,800)	$ (5,148,419)
OTHER CHANGES IN UNRESTRICTED NET ASSETS		
Net assets released from restrictions - capital acquisitions	1,279,577	653,050
Other accrued retirement benefits adjustment	2,823,760	(29,678,088)
Decrease in unrestricted net assets	(16,795,463)	(34,173,457)
TEMPORARILY RESTRICTED NET ASSETS		
Restricted grants	1,212,315	545,274
Contributions	662,975	356,770
Investment return	(97,037)	121,336
Net assets released from restrictions - operations	(226,975)	(398,042)
Net assets released from restrictions - capital acquisitions	(1,279,577)	(653,050)
Increase (decrease) in temporarily restricted net assets	271,701	(27,712)
Decrease in net assets	(16,523,762)	(34,201,169)
Net assets, beginning of year	111,729,091	145,930,260
Net assets, end of year	$ 95,205,329	$ 111,729,091

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Decrease in net assets	$ (16,523,762)	$ (34,201,169)
Adjustments to reconcile decrease in net assets to net cash (used in) provided by operating activities		
Depreciation and amortization	5,356,989	5,351,832
Provision for bad debts	290,078	203,418
Change in fair value of interest rate cap	8,013	30,906
Realized and unrealized gains and losses - net	7,951,239	(719,339)
Restricted contributions and investment return	(565,938)	(478,106)
Other accrued retirement benefits adjustment	(2,823,760)	29,678,088
Changes in assets and liabilities		
Accounts receivable for services to patients	(1,184,169)	(1,140,117)
Prepaid expenses and other assets	1,200,018	(964,726)
Accounts payable	(4,157)	(1,381,442)
Accrued expenses and other current liabilities	(450,951)	373,271
Self-insurance liabilities	(887,751)	2,184
Estimated third-party payor settlements, net	(1,527,171)	4,921,195
Accrued retirement benefits	1,766,955	(913,025)
Net cash (used in) provided by operating activities before trading securities	(7,394,367)	762,970
Change in investments - trading securities	4,163,199	3,696,819
Net cash (used in) provided by operating activities	(3,231,168)	4,459,789
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant, and equipment, net	(4,664,428)	(3,412,029)
Net cash used in investing activities	(4,664,428)	(3,412,029)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of long-term debt	(597,717)	(583,381)
Restricted contributions and investment return	565,938	478,106
Net cash used in by financing activities	(31,779)	(105,275)
Net (decrease) increase in cash and cash equivalents	(7,927,375)	942,485
Cash and cash equivalents - beginning of year	18,471,300	17,528,815
Cash and cash equivalents - end of year	$ 10,543,925	$ 18,471,300
Supplemental disclosures of cash flow information:		
Interest paid	$ 151,694	$ 170,421

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" or the "Parent") is located in White Plains, New York, 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").

On January 4, 2016, the Winifred Masterson Burke Rehabilitation Hospital (Parent only) officially joined the Montefiore Medical System ("Montefiore"), a non-for profit health system based in the Bronx, New York as an affiliate.

On September 9, 2015, a newly formed corporation was established "The Winifred Masterson Burke Corporation. ("the Corporation"). The Corporation is a 501(c)(3) public charity organization. Concurrent with the Montefiore transaction, the Corporation became the sole corporate member of the Foundation and Institute.

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, restructuring costs, 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 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, 2015 and 2014, increased by $249,000 and decreased by $658,000, respectively, as a result of changes in estimates related and third-party payor settlements and collection results related to receivables 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.

Investment returns 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 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 of EHR revenues in the accompanying consolidated statement of operations for the year ended December 31, 2014. 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, 2015 and 2014, was approximately $337,417 and $116,569, 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.

Income Taxes

The Organization follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is "more-likely-than-not" to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The Organization is exempt from federal income tax under IRC section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The Organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it was nexus; and to identify and evaluate other matters that may be considered tax positions. The tax years ending December 31, 2012, 2013, 2014, and 2015 are still open to audit for both federal and state purposes. The Organization has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements.

Reclassifications

Certain amounts in the prior year 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 prior year consolidated financial statements.

Recent Accounting Pronouncements

In May 2014, 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, 2017, 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. The Organization has not determined the impact of ASU 2014-09 at this time.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs.* This standard requires all costs incurred to issue debt be presented in the balance sheet as a direct deduction from the carrying value of the associate debt liability. This standard is effective for years beginning after December 15, 2015. This standard requires the entity apply the amendments in this update using a full retrospective application, which applies the standard to each prior period presented. The Organization has not determined the impact of ASU 2015-03 at this time.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which requires that most leased assets be recognized on the balance sheet as assets and liabilities for the rights and obligations created by these leases. ASU 2016-02 is effective for fiscal years beginning after December 15, 2018. Early application is permitted. An entity is required to apply the amendments in ASU 2016-02 under the modified retrospective transition approach. This approach includes a number of optional practice expedients, which are described in the final standard. Under these practical expedients, an organization will continue to account for leases that commence before the effective date in accordance with current GAAP, unless the lease is modified. However, lessees are required to recognize on the balance sheet leased assets and liabilities for operating leases at each reporting date. The Organization has not determined the impact of ASU 2016-02 at this time.

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 2015 and 2014.

On October 3, 2015, the Organization closed its 30 bed acute care unit. On January 1, 2016, the Organization was re-established as a 150 bed inpatient rehabilitation facility ("IRF"), the aforementioned 30 beds were converted to a mixed neurological rehabilitation unit and the first patient was admitted to this unit on February 22, 2016.

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, 2015 and 2014, assets whose use is limited consist of the following:

	December 31,	
	2015	**2014**
Foundation funds:		
Equity securities	$ 47,796,623	$ 52,786,567
Common trust funds/mutual funds	9,470,035	9,677,204
Limited partnerships	25,695,108	27,072,993
Due from broker	23,530	4,317,603
	$ 82,985,296	$ 93,854,367
Trusteed funds:		
Cash and cash equivalents	$ 543,486	$ 175,622
Equity securities	16,352,692	16,592,014
Common trust funds/mutual funds	2,498,155	2,565,911
Limited partnerships	5,323,336	5,683,932
Due (to) from broker	(5,564)	1,228,098
	$ 24,712,105	$ 26,245,577
Self-insurance trust:		
Cash and cash equivalents	$ 33,353	$ 99,114
Fixed income	2,172,792	2,513,593
	$ 2,206,145	$ 2,612,707
Restricted use - cash	$ 223,435	$ 212,678
Depreciation fund - cash and cash equivalents	$ 31,776	$ 31,776

	2015	2014
Donor-restricted long term investments:		
Home Health Education Fund:		
Cash and cash equivalents	$ 15,926	$ 7,513
Equity securities	258,853	282,200
Due to broker	(2,025)	(1,791)
	272,754	287,922
Kennedy Duncan Fund:		
Cash and cash equivalents	148,660	91,734
Equity securities	1,760,930	1,868,065
Due from broker	169	689
	1,909,759	1,960,488
Employee recognition fund - cash equivalents	104,607	104,592
Restricted - cash	1,115,980	513,327
Total donor-restricted long-term investments	$ 3,403,100	$ 2,866,329
Total assets whose use is limited	$ 113,561,857	$ 125,823,434

Investment return - net, including net realized and unrealized gains and losses on investments and cash and cash equivalents, are comprised of the following:

	Year Ended December 31,	
	2015	2014
Unrestricted income on investments	$ 2,194,550	$ 1,824,559
Realized gains on investments - net	738,601	3,863,183
Change in unrealized gains and losses on trading securities	(8,689,840)	(3,143,844)
	$ (5,756,689)	$ 2,543,898

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, 2015	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 12,761,148	$ -	$ -	$ 12,761,148
Fixed income securities (bond funds and CD's)	2,478,196	-	-	2,478,196
Equity oriented funds	42,625,658	23,324,524	218,915	66,169,097
Limited partnerships	-	20,215,173	10,803,271	31,018,444
Common trust funds/mutual funds	-	11,968,190	-	11,968,190
	57,865,002	55,507,887	11,022,186	124,395,075
Interest rate cap	-	236	-	236
Total assets	$ 57,865,002	$ 55,508,123	$ 11,022,186	$ 124,395,311

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

For the years ended December 31, 2015 and 2014, purchases and sales of Level 3 investments were settled with Level 1 investments. During the year ended December 31, 2015, the Organization transferred $1,956,987 from Level 3 to Level 2 due to the expiration of the lock up period requirement of a fund. The following tables summarize changes in fair values associated with Level 3 investments for the years ended December 31, 2015 and 2014:

Level 3 Investments	Balance at December 31, 2014	Net Realized and Unrealized Gains (Losses)	Purchases (Contributions)	Sales (Withdrawals)	Transfers (Net)	Balance at December 31, 2015
Equity - oriented funds	$ 11,570,360	$ (15,167)	$ 6,313	$ (9,385,604)	$ (1,956,987)	$ 218,915
Limited partnerships	12,569,625	(938,429)	186,700	(1,014,625)	-	10,803,271
Total	$ 24,139,985	$ (953,596)	$ 193,013	$ (10,400,229)	$ (1,956,987)	$ 11,022,186

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

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, 2015 and 2014:

Category	Fair Value	Fair Value	Commitments	Frequency	Period	Remaining Life
Equity oriented funds [(a)]	$ 23,543,439	$ 32,256,175	$ 95,657	Monthly-Annually	30 - 60 days	91 days
Common trust funds/mutual funds [(b)]	11,968,190	12,243,115	-	Monthly-Quarterly	15 - 95 days	N/A
Limited partnerships [(c)]	31,018,444	32,756,925	835,467	Monthly or at termination of fund	Ranges between 10 - 15 days and no redemption	1 - 5 Years
	$ 66,530,073	$ 77,256,215	$ 931,124			

(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, 2015 and 2014:

	2015	2014
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, 2015 and 2014. 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, 2015 and 2014 consist of the following:

	Temporarily Restricted	Permanently Restricted	Total
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
Investment returns:			
Investment loss	(9,920)		(9,920)
Net depreciation	(87,579)	-	(87,579)
Total investment return	(97,499)	-	(97,499)
Appropriation of endowment investment return for expenditure	(150)	-	(150)
Endowment funds and net assets, December 31, 2015	$ 1,757,039	$ 787,585	$ 2,544,624

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, 2015 and 2014, 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, 2015 and 2014, is as follows:

	2015	2014
Land	$ 176,475	$ 176,475
Land improvements	6,570,589	6,283,451
Buildings	61,098,750	59,181,193
Fixed equipment	28,316,628	28,241,972
Major movable equipment	45,275,189	42,748,198
	141,437,631	136,631,289
Less accumulated depreciation and amortization	(110,928,737)	(105,596,547)
	30,508,894	31,034,742
Construction in progress	195,980	357,101
	$ 30,704,874	$ 31,391,843

Depreciation and amortization expense on property, plant and equipment was $5,345,805 and 5,346,242 at December 31, 2015 and 2014, respectively.

At December 31, 2015 and 2014, 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 $1,179,571 and $1,030,418 at December 31, 2015 and 2014, respectively.

7. LONG-TERM DEBT

Long-term debt as of December 31 consisted of:

	2015	2014
Term loan	$ 5,211,911	$ 5,559,372
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	620,090	870,346
	5,832,001	6,429,718
Less current portion	(612,924)	(597,718)
	$ 5,219,077	$ 5,832,000

The Institute had 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 had 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% (1.99% and 1.90% at December 31, 2015 and 2014, respectively). The term loan is collateralized by certain investments held by the Organization at 110% of the outstanding amount. The term loan had certain financial covenants which are required to be maintained on a quarterly basis. On January 25, 2016, the term loan balance was paid off and refinanced with another financial institution. The new loan principal is $7,700,000. The term loan has a variable interest rate based on monthly LIBOR plus 0.95%. The monthly principal payments are $25,667 and the calculation is based on a 25 year amortizing with a balloon payment due by January 1, 2026. The new loan is collateralized by certain investments held by the Foundation at 200% of the outstanding amount. The additional funds over the refinanced amount will be used for renovations to the Institute's "Molecular" building.

Additionally, the Institute had 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 $6,000,000 and $6,400,000 at December 31, 2015 and 2014, respectively. This agreement limits the Organization's exposure to increasing interest rates by providing a cap at 3.75% per annum. This interest rate cap was settled in 2016 concurrently with the term loan being refinanced.

Additionally, on January 25, 2016, the Institute entered into a new interest rate cap agreement with a financial institution, to limit the impact of increases in the interest rate on their new loan. The notional amount is $7,700,000. This agreement limits the Institute's exposure to increasing interest rates by providing a cap at 2.95% 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, 2015 and 2014 was estimated to be $236 and $8,248, respectively, and is separately shown as a non-current asset in the consolidated statement of financial position. The Institute may be exposed to credit loss in the event of nonperformance by the counterparty to the interest rate cap agreement. However, the Institute does not anticipate nonperformance as its counterparty is rated Aa1 by Moody's.

On April 5, 2016, the Hospital established a $3,000,000 line of credit with a financial institution at a borrowing rate of prime minus 75 basis points. The line is secured by investments held in assets whose use is limited - Trusteed funds at 200%. As of May 31, 2016, $850,000 was outstanding.

Future minimum payments on the long-term debt as of December 31, 2015, are as follows:

Years	New Term Loan	Old Term Loan	Capital Lease Obligation
2016	$ 282,333	$ 347,461	$ 296,469
2017	308,000	347,461	296,469
2018	308,000	4,516,989	74,117
2019	308,000	-	-
2020	308,000	-	-
Therafter	6,185,667	-	-
Total	7,700,000	5,211,911	667,055
Less amount representing interest on capital lease obligation	-	-	(46,966)
	$ 7,700,000	$ 5,211,911	$ 620,089

8. SELF-INSURANCE LIABILITIES

The Organization has 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. 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 $1,497,700 and $1,938,000 at December 31, 2015 and 2014, respectively. Concurrent with the Montefiore transaction, the Foundation and Institute withdrew from the self-insurance program and entered into a commercial risk insurance policy. As part of the withdrawal agreement, the Foundation and Institute purchased tail coverage from the self-insurance program for any prior claims.

The Organization also maintains an accrual, calculated at an expected confidence level of loss and discounted basis, of approximately $733,200 and $1,166,000, for the period coverage as of December 31, 2015 and 2014, 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 3.05% and 3.15% at December 31, 2015 and 2014, respectively.

9. ACCRUED RETIREMENT BENEFITS

The Hospital 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 mortality table used for projecting the benefit obligation is the RP-2014 Mortality table with Scale MP-2015. The Hospital also sponsors a supplemental retirement plan (the “SERP”) for certain executives. In 2016, $1,734,765 was paid to settle and terminate the SERP. The Hospital's funding policy is to contribute annually an amount no less than the minimum amount required by ERISA.

In addition to the Hospital's defined benefit pension plan, the Hospital 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 Hospital 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 consolidated financial statements:

	Defined Benefit Plans		Other Postretirement Benefits	
	2015	2014	2015	2014
Obligations and funded status:				
Hospital's contributions	$ 3,659,875	$ 2,750,117	$ 126,068	$ 119,866
Benefit payments	(4,114,087)	(3,839,910)	(126,068)	(119,866)
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	(52,695,998)	(53,690,154)	(5,374,061)	(5,706,710)
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	(117,402,254)	(121,959,760)	(5,374,061)	(5,706,710)
Accumulated benefit obligation	(116,152,850)	(120,976,365)	-	-
Fair value of plan assets	64,436,256	68,269,606	-	-
Other accrued retirement benefits adjustment	(2,362,606)	28,051,237	(461,154)	1,626,851
Service cost	$ 2,490,849	$ 1,737,471	$ 199,699	$ 144,984
Interest cost	4,623,432	4,555,896	213,828	210,332
Expected return on plan assets	(5,425,400)	(5,331,704)		-
Amortization of prior service cost	(520,999)	(520,999)	(150,824)	(150,824)
Recognized actuarial loss (gain)	4,130,443	1,427,706	(8,130)	(115,904)
Net periodic benefit cost	$ 5,298,325	$ 1,868,370	$ 254,573	$ 88,588

At December 31, 2015, the expected estimated aggregate amount from unrestricted net assets into net periodic benefit cost related to net actuarial loss and prior service cost is $3,715,923 and $671,823, respectively.

Weighted-average assumptions used in determining the benefit obligation at December 31, 2015 and 2014, were as follows:

	Defined Benefit Plans		Other Postretirement Benefits	
Assumptions	**2015**	**2014**	**2015**	**2014**
Weighted-average assumptions used in computing benefit obligation at December 31:				
Discount rate	4.34 %	3.99 %	4.21 %	3.89 %
Rate of compensation increase	2.50	2.50	-	-
Initial health care cost trend rate	-	-	3.00	3.00
Ultimate trend rate in 2016 and forward	-	-	3.00	3.00
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 2015 and forward	-	-	3.00	3.00

To develop the expected long-term rate of return on plan assets, the Hospital 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, 2015 and 2014 is as follows:

	2015	**2014**
Equity securities	44 %	46 %
Common trusts funds/mutual funds	28	27
Cash and cash equivalents	3	2
Limited partnerships	25	25
	100 %	100 %

Fair Values of Plan Assets

The following table presents the Hospital's categorization of the assets of the Plan within the fair value hierarchy using the market approach valuation technique at December 31, 2015 and 2014:

December 31, 2015	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 2,108,570	$ -	$ -	$ 2,108,570
Equity securities [a]	14,626,483	13,787,564	-	28,414,047
Common trust funds/mutual funds [b]	11,319,841	6,617,841	-	17,937,682
Limited Partnership [c]	-	15,975,957	-	15,975,957
	$ 28,054,894	$ 36,381,362	$ -	$ 64,436,256

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

(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 $27,380 at December 31, 2015.

Target Allocations

The Plan's targeted asset allocation is as follows:

	Min %	Target %	Max %
Asset Class			
Growth assets, U.S. 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	-	10

Contributions

The Hospital's required contributions to the defined benefit plans and the postretirement plan in 2016 are approximately $3,820,000 and $155,000, respectively. These contributions represent the amount necessary to meet expected benefit payments for those individuals who are expected to terminate or retire during 2016 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
2016	$ 4,928,676	$ 155,217
2017	5,151,232	164,631
2018	5,440,128	173,516
2019	5,785,469	186,878
2020	6,080,381	202,934
2021 - 2025	33,609,116	1,223,900

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 Institute's benefit expense for the defined contribution plan for the years ended December 31, 2015 and 2014, was approximately $457,273 and $259,627, respectively.

10. CONCENTRATION OF CREDIT RISK

The Hospital 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).

Patient accounts receivable by financial class as a percentage of total patient accounts receivable at December 31, 2015 and 2014, are as follows:

	2015	2014
Medicare	37 %	44 %
Blue Cross	14	19
Medicaid	1	1
Other third-party payors	46	33
Patients	2	3
	100 %	100 %

The Medicare program approximated 65% and 67% of net patient service revenue for the years ended December 31, 2015 and 2014, respectively.

11. COMMITMENTS AND CONTINGENCIES

Operating Leases - The minimum lease commitments for the Hospital's various equipment and facilities under non-cancelable operating leases are in effect as of December 31, 2015, as follows:

Years	
2016	$ 668,271
2017	492,289
2018	407,366
2019	203,017
2020	90,778
Thereafter	25,016
Total	$ 1,886,737

Rental expense for the Hospital amounted to $658,671 and $692,393 for the years ended December 31, 2015 and 2014, respectively.

Litigation - The Hospital 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 Hospital'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, 2015 and 2014, are as follows:

	2015	2014
Health care services	$ 49,554,402	$ 48,268,808
General and administrative	31,988,552	29,608,129
Research	9,922,938	8,326,831
Total expenses	$ 91,465,892	$ 86,203,768

13. SUBSEQUENT EVENTS

The Organization evaluated its December 31, 2015 consolidated financial statements for subsequent events through May 31, 2016, 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 for those items described elsewhere in the notes.

SUPPLEMENTARY INFORMATION

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Net Patient Service Revenue
For the years ended December 31, 2015 and 2014

	2015			2014		
	Inpatient	Outpatient	Total	Inpatient	Outpatient	Total
ROUTINE PATIENT CARE	$ 60,682,450	$ -	$ 60,682,450	$ 60,955,900	$ -	$ 60,955,900
PHYSICIAN FEES	2,568,919	1,086	2,570,005	2,448,712	395	2,449,107
OTHER PROFESSIONAL SERVICES						
Radiology - diagnostic	495,912	197,930	693,842	580,900	220,307	801,207
Laboratory	2,591,538	-	2,591,538	2,698,548	-	2,698,548
Electrocardiography	433,893	1,598,608	2,032,501	452,126	1,490,812	1,942,938
Physical therapy	12,614,010	16,320,996	28,935,006	13,199,079	15,126,968	28,326,047
Respiratory therapy	3,269,221	-	3,269,221	2,918,093	-	2,918,093
Occupational therapy	11,384,243	1,481,842	12,866,085	11,651,279	1,311,159	12,962,438
Central services	1,636,812	8,236	1,645,048	1,572,249	7,706	1,579,955
Pharmacy	5,079,326	23,444	5,102,770	4,919,834	22,513	4,942,347
Speech and hearing	2,295,748	772,646	3,068,394	2,276,457	658,235	2,934,692
Orthotics and prosthetics	191,851	1,013	192,864	210,229	-	210,229
Other	13,844	-	13,844	-	-	-
Total other professional services	40,006,398	20,404,715	60,411,113	40,478,794	18,837,700	59,316,494
Total patient care revenue - gross charges	103,257,767	20,405,801	123,663,568	103,883,406	18,838,095	122,721,501
LESS CONTRACTUAL ALLOWANCES	(51,438,277)	(11,518,970)	(62,957,247)	(52,326,960)	(9,268,368)	(61,595,328)
Net patient service revenue	$ 51,819,490	$ 8,886,831	$ 60,706,321	$ 51,556,446	$ 9,569,727	$ 61,126,173

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Other Revenue and Net Assets Released from Restrictions - Operations

For the years ended December 31, 2015 and 2014

	2015	2014
OTHER REVENUE		
Employees' benefit contributions	$ 1,137,057	$ 902,132
Purchase discounts	19,782	9,921
Sale of medical abstracts	4,398	2,344
Community fitness center	518,268	567,285
Rental of space	1,096,419	1,062,132
Apartment housing rental	452,188	445,775
Offsite programs	2,696,410	2,702,084
Miscellaneous	8,738	10,025
Total other revenue	$ 5,933,260	$ 5,701,698
NET ASSETS RELEASED FROM RESTRICTIONS - OPERATIONS		
Accorda Studies	$ 7,703	$ 12,428
Balcofen Study	10,747	-
Kohlberg Grant	14,295	51,041
Neuro Rehab Fellowship	-	120,000
Gift Shop	35,312	47,112
Wheelchair Athletics	25,450	22,311
Will Rogers Pulmonary Fund	65,000	80,000
Yale Iris Study	45,390	33,556
Other	23,078	31,594
Total net assets released from restrictions - operations	$ 226,975	$ 398,042

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund
For the years ended December 31, 2015 and 2014

	Net Assets December 31, 2014	Contributions	Investments Return	Net Assets Released from Restrictions: Operations	Net Assets Released from Restrictions: Capital Acquisitions	Net Assets December 31, 2015
Audio-visual Laboratory	$ 753	$ -	$ -	$ 753	$ -	$ -
Accorda Studies	-	7,703	-	7,703	-	-
After Care Case Management	-	20,000	-	381	-	19,619
Alzheimer's Research	-	105,000	-	-	-	105,000
Anthrotronix Study	-	24,000	-	-	-	24,000
ARA Research Institute	15,815	-	-	-	-	15,815
Baclofen Study	24,730	4,170	-	10,747	-	18,153
Kohlberg Grant	19,682	-	-	14,295	-	5,387
Bioness Therapy	-	10,000	-	-	-	10,000
Burke Gift Shop	145,962	62,771	462	35,312	28,938	144,945
Child Care Fund	454	-	-	454	-	-
Design for Disabled	1,772	-	-	710	-	1,062
Employee Recreation	1,926	7,593	15	7,873	-	1,661
Goldstein Foundation	50,000	-	-	-	-	50,000
Gisondi Alz Rehab	35,000	-	-	-	-	35,000
Heart Monitor Fund	3,273	-	-	-	-	3,273
Home Health Education Fund	135,453	-	(15,168)	-	-	120,285
IMPAX Spinal Cord Injury	3,250	-	-	-	-	3,250
Kennedy Duncan Fund	1,719,102	-	(82,346)	-	-	1,636,756
Leahy Pulmonary Fund	105,854	7,760	-	350	1,472	111,792
Medical Director	39,167	-	-	-	20,254	18,913
Myerson/ Memory Evaluation Fund	89	75,777	-	89	-	75,777
Novella Clinic Study	24,378	-	-	1,650	-	22,728
Nuero Rehab Fellowship	-	56,000	-	-	-	56,000
Patient Greenhouse Fund	2,004	2,770	-	72	-	4,702
Pediatric Concussion Study	-	5,000	-	-	-	5,000
Prosthetic Fund	31,442	3,540	-	1,250	-	33,732
Quintiles Drug Study - E2020	499	-	-	-	-	499
Opteminsight	950	-	-	-	-	950
Rheumatology	5,879	-	-	-	-	5,879
Social Service	30,997	109,939	-	4,262	12,682	123,992
Speech and Hearing	10,275	-	-	-	-	10,275
Spinal Cord Studies	4,986	-	-	1,234	-	3,752
Sports Neurology	6,465	-	-	-	-	6,465
Vocational Education	2,487	-	-	-	-	2,487
Volunteers Fund	15,095	7,800	-	1,000	2,171	19,724
Wheelchair Athletics	171,697	49,400	-	25,450	1,745	193,902
Will Rogers Fund	-	65,000	-	65,000	-	-
Yale IRIS Study	13,525	38,752	-	48,390	-	3,887
	$ 2,622,961	$ 662,975	$ (97,037)	$ 226,975	$ 67,262	$ 2,894,662

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2015 and 2014

	2015			2014		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
NURSING AND MEDICAL						
General nursing	$ 12,413,242	$ 560,619	$ 12,973,861	$ 12,587,553	$ 594,447	$ 13,182,000
Medical services	8,454,946	1,427,884	9,882,830	8,130,624	1,246,589	9,377,213
Admitting	269,020	4,942	273,962	260,649	5,324	265,973
General services	92,856	254,253	347,109	87,611	328,714	416,325
Total nursing and medical	21,230,064	2,247,698	23,477,762	21,066,437	2,175,074	23,241,511
OTHER PROFESSIONAL						
Radiology - diagnostic	172,007	141,195	313,202	165,724	153,549	319,273
Laboratory	-	699,115	699,115	-	759,502	759,502
Electrocardiography	228,906	34,222	263,128	223,361	47,327	270,688
Physical therapy	4,802,930	158,357	4,961,287	4,725,190	179,984	4,905,174
Occupational therapy	2,667,070	67,978	2,735,048	2,619,090	61,281	2,680,371
Pharmacy	967,605	1,137,882	2,105,487	910,781	1,153,006	2,063,787
Speech and hearing	863,770	14,395	878,165	835,678	12,372	848,050
Orthotics and prosthetics	-	141,116	141,116	-	171,553	171,553
Medical records	291,348	50,102	341,450	276,368	69,375	345,743
Social service	790,173	26,557	816,730	783,043	20,569	803,612
Total other professional	10,783,809	2,470,919	13,254,728	10,539,235	2,628,518	13,167,753
AMBULATORY CARE	93,908	480	94,388	92,416	798	93,214
GENERAL SERVICES						
Dietary	1,382,699	1,152,469	2,535,168	1,363,939	1,151,740	2,515,679
Operation and maintenance of plant	1,934,618	2,062,120	3,996,738	1,881,572	2,095,261	3,976,833
Housekeeping	1,046,020	415,046	1,461,066	1,026,883	420,998	1,447,881
Laundry and linen	94,273	8,196	102,469	97,533	2,795	100,328
Total general services	4,457,610	3,637,831	8,095,441	4,369,927	3,670,794	8,040,721

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Expenses

For the years ended December 31, 2015 and 2014

	2015			2014		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
ADMINISTRATIVE AND FISCAL SERVICES						
Executive office	$ 942,899	$ 1,334,647	$ 2,277,546	$ 600,949	$ 1,526,193	$ 2,127,142
Fiscal office	2,358,985	176,884	2,535,869	2,170,388	528,589	2,698,977
Personnel	541,293	289,201	830,494	531,644	255,971	787,615
Purchasing and storeroom	233,639	5,091	238,730	225,294	4,932	230,226
Communication	126,565	148,842	275,407	123,991	128,489	252,480
Volunteer service	73,585	3,728	77,313	71,724	2,823	74,547
Data processing	1,102,788	1,219,214	2,322,002	1,106,904	1,229,930	2,336,834
Insurance	-	82,442	82,442	-	706,768	706,768
Public relations	190,178	990,451	1,180,629	179,647	741,114	920,761
Development	306,374	150,256	456,630	410,475	229,731	640,206
Corporate Restructuring Costs	-	-	-	-	-	-
Total administrative and fiscal services	5,876,306	4,400,756	10,277,062	5,421,016	5,354,540	10,775,556
PROVISION FOR BAD DEBTS	-	290,078	290,078	-	203,418	203,418
EMPLOYEE BENEFITS						
Pension and other postretirement benefit expenses	-	6,403,711	6,403,711	-	2,703,226	2,703,226
Federal Insurance Contributions Act taxes	-	3,074,980	3,074,980	-	3,035,473	3,035,473
Health insurance	-	6,359,648	6,359,648	-	6,163,832	6,163,832
Workers’ compensation insurance	-	680,837	680,837	-	561,716	561,716
Unemployment insurance	-	53,501	53,501	-	40,542	40,542
Disability insurance	-	42,721	42,721	-	47,779	47,779
Total employee benefits	-	16,615,398	16,615,398	-	12,552,568	12,552,568
INTEREST	-	45,593	45,593	-	59,964	59,964
DEPRECIATION AND AMORTIZATION	-	3,864,208	3,864,208	-	3,939,144	3,939,144
Total medical rehabilitation services	42,441,697	33,572,961	76,014,658	41,489,031	30,584,818	72,073,849

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Expenses
For the years ended December 31, 2015 and 2014

	2015			2014		
	Salaries and Wages	Supplies and Other Expenses	Total	Salaries and Wages	Supplies and Other Expenses	Total
MEDICAL REHABILITATION SERVICES						
FOUNDATION SERVICES						
Grantor services	$ -	$ 5,206,624	5,206,624	$ -	$ 4,927,671	$ 4,927,671
Management and general	-	566,914	566,914	-	559,175	559,175
Total foundation services	-	5,773,538	5,773,538	-	5,486,846	5,486,846
MEDICAL RESEARCH SERVICES						
Medical research	4,485,291	4,112,879	8,598,170	4,052,442	3,220,758	7,273,200
Employee benefits - medical research	-	1,324,768	1,324,768	-	1,181,961	1,181,961
Management and general	1,549,159	2,968,319	4,517,478	1,629,951	2,804,780	4,434,731
Interest expense	-	106,101	106,101	-	110,457	110,457
Employee benefits - management and general	-	459,720	459,720	-	475,402	475,402
Salary and employee benefits - other	131,165	-	131,165	437,000	(159,318)	277,682
Depreciation	-	1,481,598	1,481,598	-	1,407,097	1,407,097
Total medical research services	6,165,615	10,453,385	16,619,000	6,119,393	9,041,137	15,160,530
Subtotal expenses	48,607,312	49,799,884	98,407,196	47,608,424	45,112,801	92,721,225
CONSOLIDATING ENTRIES	-	(6,941,304)	(6,941,304)	-	(6,517,457)	(6,517,457)
Consolidated expenses	$ 48,607,312	$ 42,858,580	$ 91,465,892	$ 47,608,424	$ 38,595,344	$ 86,203,768

THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2015 and 2014

Account Name	Refundable Advances December 31, 2014	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2015
PRIVATE GRANTS								
Eisai -Jordan	$ 1,478	$ -	$ -	$ -	$ -	$ -	$ (1,478)	-
National Parkinsons	5,000	-	-	-	-	-	-	5,000
Overbrook	11,466	-	-	-	-	-	(11,466)	-
Cardiac Fund	8,318	-	-	-	-	-	-	8,318
Forest Pharmaceutical	277	-	-	125	14	-	(138)	-
Scallon	157	-	-	-	-	-	-	157
Korean University	57	-	-	-	-	-	-	57
Animal Care Center	177,864	-	-	19,446	-	-	-	158,418
Fujisawa Corp	1,265	-	-	-	-	-	(1,265)	-
Mitro Defects - Gibson	5,015	-	-	3,518	-	-	-	1,497
Mt. Sinai	10,352	-	-	-	-	-	(10,352)	-
Anti-Micro	-	-	-	(1,062)	-	-	(1,062)	-
NR2	-	35,898	-	-	-	-	(35,898)	-
Hartman Foundation	31,941	-	-	18,204	-	-	-	13,737
Wyeth Acute Stroke Study	-	-	-	(56,103)	-	-	(56,103)	-
Wyeth Training Study	-	-	-	(24,120)	-	-	(24,120)	-
IRSF Fund	1,486	-	-	-	-	-	-	1,486
Don Sperling Fund	28,655	500	-	-	-	-	-	29,155
Allen & Co Goldfine	4,447	-	-	-	-	-	-	4,447
Novartis Jordan	51,078	-	-	-	-	-	(51,078)	-
Dana Foundation - Ratan	13,860	-	-	72,160	-	-	58,300	-

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THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2015 and 2014

Account Name	Refundable Advances December 31, 2014	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2015
Reeve Foundation	$ 12,446	$ -	$ -	$ -	$ -	$ -	$ -	12,446
Johnson & Johnson	7,523	-	-	-	-	-	-	7,523
Carmel Funds	61,011	31,180	-	24,771	-	-	-	67,420
March of Dimes	1,045	-	-	568	56	-	-	421
Adelson Foundation	-	729,402	-	484,585	-	-	(29,257)	215,560
American Diabetes Assoc.	2,488	-	-	-	-	-	-	2,488
Stealth Peptides	-	-	-	14,142	2,828	-	16,970	-
Adelson Langley	-	627,614	-	270,501	-	67,283	(18,112)	271,718
Visual Rehab	12,465	-	-	-	-	-	-	12,465
Reeve Foundation - Zhong	250	-	-	-	-	-	-	250
Pacific Northwest Labs	-	12,273	-	12,273	749	-	749	-
Restore Neuro Clinic	114,535	362,999	-	282,762	48,070	14,500	-	132,202
Clinical SCI PR	14,485	5,007	-	6,370	-	-	-	13,122
Adelson - Edwards	76	75,000	-	-	-	-	-	75,076
Brain Map Study Labar	2,386	-	-	-	-	-	-	2,386
Retinal Photo - Prusky	2,668	-	-	-	-	-	-	2,668
USMA - O'Donovan	48,886	-	-	48,886	-	-	-	-
Carvel - Friel	75,966	-	-	72,199	-	2,550	-	1,217
Carvel - Donohoe	41,667	-	-	41,669	-	-	2	-
Carvel - Carmel	53,210	-	-	61,315	-	-	8,105	-
Carvel - Prusky	40,101	-	-	36,650	-	4,864	1,413	-
Skirball - Edwards	64,687	1,250	-	63,751	-	6,450	4,264	-
NRF Korea	31,022	-	-	15,489	-	-	-	15,533
Retinal Research	26,715	20,000	-	-	-	-	-	46,715
Willis Reseach Fund	7,050	-	-	-	-	-	-	7,050
Goldsmith D	(51,157)	-	-	31,176	-	-	-	(82,333)
Run 4 Brad	218,547	155,659	-	94,290	-	146,036	(182)	133,698
Travis Roy Fund	45,348	124,719	-	123,393	-	17,308	-	29,366

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THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES
Refundable Advances and Grant Revenue
For the years ended December 31, 2015 and 2014

Account Name	Refundable Advances December 31, 2014	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2015
Nexstim NBT Fund	$ -	$ 328,415	$ -	$ 223,547	$ 38,003	$ 33,755	$ (33,110)	$ -
Ashen Fund - Carmel	113,796	-	-	38,434	-	46,515	-	28,847
Ashen Fund - Donohoe	114,836	-	-	111,116	-	-	-	3,720
Ashen Fund - Gupta	142,643	-	-	38,997	-	-	-	103,646
Vagus Nerve Stimulation	-	74,100	-	23,595	22,415	-	(28,090)	-
Neilsen Foundation	75,000	120,000	-	145,275	14,528	5,657	-	29,540
Cornell Auditory Attention	-	44,930	-	41,800	-	-	(3,130)	-
Regeneron Autoimmune	-	48,800	-	44,663	13,399	634	9,896	-
JDRF Neuro Vascular	35,955	10,997	-	41,569	4,141	-	-	1,242
Cornell D Beta Hydroxy	-	52,530	-	25,730	-	-	(26,800)	-
Harvey Kelsey Fund	2,300	-	-		-	-	-	2,300
Wings for Life Fund	50,340	85,864	-	89,665	-	29,539	-	17,000
Sci Infra Hill Fund	-	81,127	-	35,723	-	6,038	(39,366)	-
Sci Infra Willis Fund	-	125,000	-	26,320	-	-	(98,680)	-
Daedalus Fund	-	-	-	16,988	-	-	16,988	-
ADDF Benfotimine Fund	97,084	125,000	-	240,944	-	6,047	24,907	-
Donohoe Private Funds	6,250	-	-	4,240	-	-	-	2,010
SCI Equipment	-	-	-		-	584,681	589,540	4,859
Putrino Private Funds	10,000	-	-	889	-	-	-	9,111
NYS Legislative Hill	-	35,439	-	33,314	-	-	-	2,125
NYS Legislative Willis	-	35,439	-	35,000	-	-	-	439
NYS Legislative Carmel	-	35,439	-	4,126	-	24,020	(6,854)	439
NYS Legislative Zhong	-	35,441	-	34,998	-	-	-	443
NYS Legislative Langley	-	35,439	-	35,000	-	-	-	439
NYS Legislative Edwards	-	35,439	-	35,000	-	-	-	439
Willis Private Grants	-	-	-	42,216	-	-	42,216	-
Hill Private Grants	-	-	-	28,460	-	-	28,460	-
Blythdale Fund	-	93,468	-	187,583	-	-	94,115	-
CTSC Hill	-	43,922	-	49,999	-	-	6,077	-
Stroke Putrino	-	-	-	6,010	-	-	6,010	-

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, 2015 and 2014

Account Name	Refundable Advances December 31, 2014	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2015
Cornell Schaffer	$ -	$ 17,117	$ -	$ 8,111	$ -	$ -	$ -	$ 9,006
TEVA Ratan	-	5,000	-	-	-	-	-	5,000
Jewish General Hospital	-	-	-	7,337	-	-	7,337	-
American Heart Yang	-	11,600	-	23,206	-	-	11,606	-
Grehan Fund	-	25,000	-	-	-	-	-	25,000
Australia Project	-	6,737	-	1,600	-	-	-	5,137
Not Impossible	-	82,868	-	33,567	3,357	-	-	45,944
Neilsen Dystrophic Axons	-	150,000	-	13,806	1,381	-	-	134,813
NYS Idea Willis	-	-	-	40,220	8,044	-	48,264	-
NYS Idea Carmel	-	-	-	17,121	3,424	36,703	57,248	-
Blythedale Brain Injury	-	-	-	196	-	-	196	-
NYS Retinal Study	-	180,351	-	197,509	39,502	-	56,660	-
NYS Alzheimer’s Imaging	-	39,156	-	39,156	-	-	-	-
Stroke Research	21,608	400	-	5,218	-	-	-	16,790
NYS SCIRB - Langley	1,231	-	-	-	-	-	-	1,231
Alzheimer’s Disease - Shi	-	-	-	-	-	-	-	-
NYS Alzheimer's Disease - Jordon	-	135,978	-	104,370	-	-	(31,608)	-
Alzheimer's Research	9,441	200	-	-	-	-	-	9,641
Acorda Carmel	27,398	47,339	-	61,850	15,462	17,479	20,054	-
Research Fund	18,010	120	-	-	-	-	-	18,130
Medical Directors Fund	31,625	18,454	-	19,283	-	41,560	12,270	1,506
Burke Foundation Grant	12,070	200	-	-	-	-	(12,270)	-
Goldsmith Foundation A	53,033	-	-	45,065	-	-	-	7,968
Goldsmith Foundation B	109,909	-	-	-	-	-	-	109,909
Goldsmith Foundation C	51,250	-	-	-	-	-	-	51,250
Total private grants	$ 2,169,915	$ 4,348,810	$ -	$ 3,975,774	$ 215,373	$ 1,091,619	$ 601,228	$ 1,837,187

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, 2015 and 2014

Account Name	Refundable Advances December 31, 2014	Gifts Donations and Grants	Federal Grants	Direct Costs	Expenditures Indirect Costs	Consortiums/ Equipment Additions	Reclasses and Transfers	Refundable Advances December 31, 2015
FEDERAL GRANTS								
NIA-Mitochondrial Dysfunction in Aging	$ -	$ -	$ 565,406	$ 175,346	$ 132,036	$ 258,024	$ -	$ -
NINDS-Injury and adaptation in the developing rat corticospinal	-	-	184,670	170,991	13,679	-	-	-
NINDS-HDAC6: Target for regeneration following injury	-	-	375,594	180,715	146,379	48,500	-	-
NICHHD-Transcranial Direct Current Stimulation & Robotics	-	-	748,995	243,478	197,217	308,300	-	-
NEI-B-RAF drives regenerative axon growth in the optic nerve	-	-	471,391	241,124	195,311	34,956	-	-
NINDS-Impact of BDNF SNP on stroke-induced plasticity	-	-	376,687	179,414	152,502	44,771	-	-
NIH-Role of CD36 in Ischemic Inflammation	-	-	325,551	156,382	126,669	42,500	-	-
NIMH-Allelic Choice in Rett Syndrome	-	-	64,630	36,868	27,762	-	-	-
NEI-Retinal Neural Processing During Retinal Degenerative	-	-	94,954	54,166	40,788	-	-	-
NINDS-Using transcription factors to enhance transplanted	-	-	586,296	229,030	217,579	139,687	-	-
NICHHD-Non-invasive stimulation for improving motor function	-	-	151,566	55,285	52,522	43,759	-	-
NICHHD-Neural predictors of hand therapy efficacy in children	-	-	333,310	157,405	149,534	26,371	-	-
NIA-Benfotiamine in Alzheimer's Disease	-	-	277,730	118,092	112,188	47,450	-	-
NIA-Plasticity in Aging	-	-	454,692	251,211	203,481	-	-	-
NINDS-Elucidating the mechanisms of neuroprotection of histone	-	-	33,525	33,525	-	-	-	-
NINDS-The knob supination task: a sensitive test of corticospinal	-	-	95,160	43,153	40,995	11,012	-	-
NINDS-Motor cortex electrical stimulation to augment spontaneous	-	-	234,250	120,129	114,121	-	-	-
NICHHD-Transcranial direct current stimulation and robotic	-	-	38,188	19,584	18,604	-	-	-
Total federal grants	-	-	5,412,595	2,465,898	1,941,367	1,005,330	-	-
Totals	$ 2,169,915	$ 4,348,810	$ 5,412,595	$ 6,441,672	$ 2,156,740	$ 2,096,949	$ 601,228	$ 1,837,187

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, 2015

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 3,999,841	$ 1,332,507	$ -	$ 5,332,348	$ 5,211,577	$ -	$ 10,543,925
Short investments	-	-	-	-	305,403	-	305,403
Assets whose use is limited required for current liabilities	-	-	-	-	639,435	-	639,435
Accounts receivable for services to patients - net	-	-	-	-	9,556,631	-	9,556,631
Prepaid expenses	-	131,754	-	131,754	1,902,943	-	2,034,697
Inventory of supplies	-	-	-	-	543,003	-	543,003
Due from affiliated organizations	-	283,055	(283,055)	-	431,325	(431,325)	-
Other receivables	16,134	1,367,015	-	1,383,149	763,913	-	2,147,062
Total current assets	4,015,975	3,114,331	(283,055)	6,847,251	19,354,230	(431,325)	25,770,156
ASSETS WHOSE USE IS LIMITED							
Foundation funds	82,985,296	-	-	82,985,296	-	-	82,985,296
Trusteed funds	-	-	-	-	24,712,105	-	24,712,105
Self-insurance trust	-	-	-	-	2,206,145	-	2,206,145
Restricted use cash	-	-	-	-	223,435	-	223,435
Depreciation fund	-	-	-	-	31,776	-	31,776
Donor-restricted long-term investments	-	-	-	-	3,403,100	-	3,403,100
	82,985,296	-	-	82,985,296	30,576,561	-	113,561,857
Less: assets whose use is limited required for current liabilities	-	-	-	-	(639,435)	-	(639,435)
	82,985,296	-	-	82,985,296	29,937,126	-	112,922,422
Deferred financing costs - net	-	84,332	-	84,332	-	-	84,332
Interest rate cap	-	236	-	236	-	-	236
Property, plant and equipment - net	-	9,158,114	-	9,158,114	21,546,760	-	30,704,874
Total assets	$ 87,001,271	$ 12,357,013	$ (283,055)	$ 99,075,229	$ 70,838,116	$ (431,325)	$ 169,482,020

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, 2015

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	$ 30,433	$ 419,411	$ -	$ 449,844	$ 1,659,506	$ -	$ 2,109,350
Accrued expenses	-	611,043	-	611,043	2,668,973	-	3,280,016
Current portion of long-term debt	-	347,461	-	347,461	265,463	-	612,924
Estimated self-insurance liabilities	-	-	-	-	416,000	-	416,000
Third party payables	-	-	-	-	647,189	-	647,189
Refundable advances	-	1,837,187	-	1,837,187	-	-	1,837,187
Accrued retirement benefits	-	-	-	-	2,119,019	-	2,119,019
Due to affiliated organizations	714,380	-	(283,055)	431,325	-	(431,325)	-
Total current liabilities	744,813	3,215,102	(283,055)	3,676,860	7,776,150	(431,325)	11,021,685
Long-term debt, net of current portion	-	4,864,451	-	4,864,451	354,626	-	5,219,077
Estimated self-insurance liabilities, net of current portion	-	-	-	-	1,814,889	-	1,814,889
Accrued retirement benefits	-	-	-	-	56,221,040	-	56,221,040
Total liabilities	744,813	8,079,553	(283,055)	8,541,311	66,166,705	(431,325)	74,276,691
NET ASSETS							
Unrestricted	86,256,458	4,277,460	-	90,533,918	989,164	-	91,523,082
Temporarily restricted	-	-	-	-	2,894,662	-	2,894,662
Permanently restricted	-	-	-	-	787,585	-	787,585
Total net assets	86,256,458	4,277,460	-	90,533,918	4,671,411	-	95,205,329
Total liabilities and net assets	$ 87,001,271	$ 12,357,013	$ (283,055)	$ 99,075,229	$ 70,838,116	$ (431,325)	$ 169,482,020

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

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
ASSETS							
CURRENT ASSETS							
Cash and cash equivalents	$ 3,020,131	$ 1,849,213	$ -	$ 4,869,344	$ 13,601,956	$ -	$ 18,471,300
Short investments	-	-	-	-	158,264	-	158,264
Assets whose use is limited required for current liabilities	-	-	-	-	808,678	-	808,678
Accounts receivable for services to patients - net	-	-	-	-	8,662,540	-	8,662,540
Prepaid expenses	-	143,358	-	143,358	1,458,963	-	1,602,321
Inventory of supplies	-	-	-	-	543,542	-	543,542
Due from affiliated organizations	-	-	-	-	667,298	(667,298)	-
Other receivables	17,495	2,306,208	-	2,323,703	1,455,214	-	3,778,917
Total current assets	3,037,626	4,298,779	-	7,336,405	27,356,455	(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
Self-insurance trust	-	-	-	-	2,612,707	-	2,612,707
Restricted use cash	-	-	-	-	212,678	-	212,678
Depreciation fund	-	-	-	-	31,776	-	31,776
Donor-restricted long-term investments	-	-	-	-	2,866,329	-	2,866,329
	93,854,367	-	-	93,854,367	31,969,067	-	125,823,434
Less: assets whose use is limited required for current liabilities	-	-	-	-	(808,678)	-	(808,678)
	93,854,367	-	-	93,854,367	31,160,389	-	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	-	9,174,670	-	9,174,670	22,217,173	-	31,391,843
Total assets	$ 96,891,993	$ 13,571,622	$ -	$ 110,463,615	$ 80,734,017	$ (667,298)	$ 190,530,334

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

07ETHE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

Consolidating Statements of Financial Position

As of December 31, 2014

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
LIABILITIES AND NET ASSETS							
CURRENT LIABILITIES							
Accounts payable	$ 29,094	$ 412,696	$ -	$ 441,790	$ 1,671,717	$ -	$ 2,113,507
Accrued expenses	-	854,903	-	854,903	2,543,336	-	3,398,239
Current portion of long-term debt	-	347,461	-	347,461	250,257	-	597,718
Estimated self-insurance liabilities	-	-	-	-	596,000	-	596,000
Third party payables	-	-	-	-	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
Due to affiliated organizations	155,109	512,189	-	667,298	-	(667,298)	-
Total current liabilities	184,203	4,297,164	-	4,481,367	9,253,893	(667,298)	13,067,962
Long-term debt, net of current portion	-	5,211,911	-	5,211,911	620,089	-	5,832,000
Estimated self-insurance liabilities, net of current portion	-	-	-	-	2,522,640	-	2,522,640
Accrued retirement benefits	-	-	-	-	57,378,641	-	57,378,641
Total liabilities	184,203	9,509,075	-	9,693,278	69,775,263	(667,298)	78,801,243
NET ASSETS							
Unrestricted	96,707,791	4,062,546	-	100,770,337	7,548,208	-	108,318,545
Temporarily restricted	-	-	-	-	2,622,961	-	2,622,961
Permanently restricted	-	-	-	-	787,585	-	787,585
Total net assets	96,707,791	4,062,546	-	100,770,337	10,958,754	-	111,729,091
Total liabilities and net assets	$ 96,891,994	$ 13,571,621	$ -	$ 110,463,615	$ 80,734,017	$ (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 Statement of Operations
For the year ended December 31, 2015

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS							
REVENUES							
Net patient service revenue	$ -	$ -	$ -	$ -	$ 60,706,321	$ -	$ 60,706,321
Grant revenue	-	14,886,215	(4,190,854)	10,695,361	-	-	10,695,361
Other revenue	-	143,208	-	143,208	8,540,502	(2,750,450)	5,933,260
Net assets released from restrictions - operations	-	-	-	-	226,975	-	226,975
Total revenues	-	15,029,423	(4,190,854)	10,838,569	69,473,798	(2,750,450)	77,561,917
EXPENSES							
Salaries and wages	-	6,165,615	-	6,165,615	42,441,697	-	48,607,312
Supplies and expenses	5,773,537	7,075,607	(4,190,854)	8,658,290	12,757,685	(2,750,450)	18,665,525
Employee benefits	-	1,784,488	-	1,784,488	16,615,398	-	18,399,886
Depreciation and amortization	-	1,487,189	-	1,487,189	3,864,208	-	5,351,397
Provision for bad debts	-	-	-	-	290,078	-	290,078
Interest	-	106,101	-	106,101	45,593	-	151,694
Total expenses	5,773,537	16,619,000	(4,190,854)	18,201,683	76,014,659	(2,750,450)	91,465,892
Loss from operations	(5,773,537)	(1,589,577)	-	(7,363,114)	(6,540,861)	-	(13,903,975)
NONOPERATING GAINS AND (LOSSES) - NET							
Contributions	538,054	-	-	538,054	179,246	-	717,300
Corporate Restructuring Costs	-	-	-	-	(1,946,729)	-	(1,946,729)
Change in fair value of interest rate cap	-	(8,013)	-	(8,013)	-	-	(8,013)
Losses on disposal of assets	-	-	-	-	(693)	-	(693)
Investment return - net	(4,399,306)	-	-	(4,399,306)	(1,357,383)	-	(5,756,689)
Nonoperating loss - net	(3,861,252)	(8,013)	-	(3,869,265)	(3,125,559)	-	(6,994,824)
Deficiency in revenue and gains over expenses and losses	(9,634,789)	(1,597,590)	-	(11,232,379)	(9,666,420)	-	(20,898,799)
OTHER CHANGES IN UNRESTRICTED NET ASSETS							-
Net assets released from restrictions - capital acquisition	-	1,212,313	-	1,212,313	67,263	-	1,279,576
Other accrued retirement benefit adjustment	-	-	-	-	2,823,760	-	2,823,760
Transfers (to) from affiliates	(816,543)	600,185	-	(216,358)	216,358	-	-
(Decrease) increase in unrestricted net assets	$ (10,451,332)	$ 214,908	$ -	$ (10,236,424)	$ (6,559,039)	$ -	$ (16,795,463)

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

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
UNRESTRICTED NET ASSETS							
REVENUES							
Net patient service revenue	$ -	$ -	$ -	$ -	$ 61,126,173	$ -	$ 61,126,173
Grant revenue	-	13,643,645	(4,264,660)	9,378,985	-	-	9,378,985
Other revenue	-	100,718	-	100,718	7,853,777	(2,252,797)	5,701,698
Medicare technology stimulus revenue	-	-	-	-	1,314,327	-	1,314,327
Net assets released from restrictions - operations	-	-	-	-	398,042	-	398,042
Total revenues	-	13,744,363	(4,264,660)	9,479,703	70,692,319	(2,252,797)	77,919,225
EXPENSES							
Salaries and wages	-	6,119,393	-	6,119,393	41,489,031	-	47,608,424
Supplies and expenses	5,486,846	6,019,947	(4,264,660)	7,242,133	13,829,724	(2,252,797)	18,819,060
Employee benefits	-	1,498,045	-	1,498,045	12,552,568	-	14,050,613
Depreciation and amortization	-	1,412,688	-	1,412,688	3,939,144	-	5,351,832
Provision for bad debts	-	-	-	-	203,418	-	203,418
Interest	-	110,457	-	110,457	59,964	-	170,421
Total expenses	5,486,846	15,160,530	(4,264,660)	16,382,716	72,073,849	(2,252,797)	86,203,768
Loss from operations	(5,486,846)	(1,416,167)	-	(6,903,013)	(1,381,530)	-	(8,284,543)
NONOPERATING GAINS AND (LOSSES) - NET							
Contributions	528,150	-	-	528,150	94,982	-	623,132
Change in fair value of interest rate cap	-	(30,906)	-	(30,906)	-	-	(30,906)
Investment return - net	1,724,446	-	-	1,724,446	819,452	-	2,543,898
Nonoperating gain (loss) - net	2,252,596	(30,906)	-	2,221,690	914,434	-	3,136,124
Deficiency in revenue and gains over expenses and losses	(3,234,250)	(1,447,073)	-	(4,681,323)	(467,096)	-	(5,148,419)
OTHER CHANGES IN UNRESTRICTED NET ASSETS							
Net assets released from restrictions - capital acquisition	-	545,274	-	545,274	107,776	-	653,050
Other accrued retirement benefit adjustment	-	-	-	-	(29,678,088)	-	(29,678,088)
Transfers (to) from affiliates	(415,234)	415,234	-	-	-	-	-
Decrease in unrestricted net assets	$ (3,649,484)	$ (486,565)	$ -	$ (4,136,049)	$ (30,037,408)	$ -	$ (34,173,457)

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