

Consolidated Financial Statements and Uniform Guidance  
Supplementary Information Together with  
Report of Independent Certified Public Accountants

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

For the years ended December 31, 2015 and 2014

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## TABLE OF CONTENTS

---

	<b>Page</b>
Report of Independent Certified Public Accountants	1 - 2
Financial Statements:	
Consolidated Statements of Financial Position	3
Consolidated Statements of Operations	4
Consolidated Statements of Changes in Net Assets	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7 - 29
Supplementary Information:	
Net Patient Service Revenue	31
Other Revenue and Net Assets Released from Restrictions - Operations	32
Changes in Temporarily Restricted Net Assets - Specific Purpose Fund	33
Expenses	34 - 36
Refundable Advances and Grant Revenue	37 - 41
Consolidating Statement of Financial Position	42 - 45
Consolidating Statement of Operations	46 - 47
Schedule of Expenditures of Federal Awards	48 - 49
Notes to Schedule of Expenditures of Federal Awards	50 - 51
Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Required by <i>Government Auditing Standards</i>	52 - 53
Report of Independent Certified Public Accountants on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	54 - 55
Schedule of Findings and Questioned Costs:	
Section I - Summary of Auditors' Results	56
Section II - Financial Statement Findings	57
Section III - Federal Award Findings and Questioned Costs	58



Grant Thornton LLP  
757 Third Avenue, 9th Floor  
New York, NY 10017  
T 212.599.0100  
F 212.370.4520  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

## REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors of  
**The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries**

### **Report on the financial statements**

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 and cash flows for the years then ended, and the related notes to the 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 and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. 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 changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other matters**

#### *Supplementary information*

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying supplementary information included on pages 31 through 47 and the schedule of expenditures of federal awards, as required by Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, on pages 48 and 49 are presented for purposes of additional analysis and are 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.

### **Other reporting required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report, dated May 31, 2016, on our consideration of the Organization's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control over financial reporting and compliance.

*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**

<b>ASSETS</b>	<b>2015</b>	<b>2014</b>
<b>CURRENT ASSETS</b>		
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	<u>2,147,062</u>	<u>3,778,917</u>
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	<u>3,403,100</u>	<u>2,866,329</u>
	113,561,857	125,823,434
Less: assets whose use is limited required for current liabilities	<u>(639,435)</u>	<u>(808,678)</u>
	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	<u>30,704,874</u>	<u>31,391,843</u>
Total assets	<u>\$ 169,482,020</u>	<u>\$ 190,530,334</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
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	<u>2,119,019</u>	<u>2,018,223</u>
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	<u>56,221,040</u>	<u>57,378,641</u>
Total liabilities	<u>74,276,691</u>	<u>78,801,243</u>
<b>NET ASSETS</b>		
Unrestricted	91,523,082	108,318,545
Temporarily restricted	2,894,662	2,622,961
Permanently restricted	<u>787,585</u>	<u>787,585</u>
Total net assets	<u>95,205,329</u>	<u>111,729,091</u>
Total liabilities and net assets	<u>\$ 169,482,020</u>	<u>\$ 190,530,334</u>

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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Consolidated Statements of Operations**  
**For the years ended December 31, 2015 and 2014**

	<u>2015</u>	<u>2014</u>
<b>REVENUES</b>		
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	<u>226,975</u>	<u>398,042</u>
Total revenues	77,561,917	77,919,225
<b>EXPENSES</b>		
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	<u>151,694</u>	<u>170,421</u>
Total expenses	<u>91,465,892</u>	<u>86,203,768</u>
Loss from operations	(13,903,975)	(8,284,543)
<b>NONOPERATING GAINS AND (LOSSES), NET</b>		
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	<u>(693)</u>	<u>-</u>
Nonoperating (loss) gain, net	<u>(6,994,825)</u>	<u>3,136,124</u>
Deficiency in revenue and gains over expenses and losses	(20,898,800)	(5,148,419)
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>		
Net assets released from restrictions - capital acquisition	1,279,577	653,050
Other accrued retirement benefits adjustment	<u>2,823,760</u>	<u>(29,678,088)</u>
Decrease in unrestricted net assets	<u>\$ (16,795,463)</u>	<u>\$ (34,173,457)</u>

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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Consolidated Statements of Changes in Net Assets**  
**For the years ended December 31, 2015 and 2014**

---

	<u>2015</u>	<u>2014</u>
<b>UNRESTRICTED NET ASSETS</b>		
Deficiency in revenue and gains over expenses and losses	\$ (20,898,800)	\$ (5,148,419)
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>		
Net assets released from restrictions - capital acquisitions	1,279,577	653,050
Other accrued retirement benefits adjustment	<u>2,823,760</u>	<u>(29,678,088)</u>
Decrease in unrestricted net assets	<u>(16,795,463)</u>	<u>(34,173,457)</u>
<b>TEMPORARILY RESTRICTED NET ASSETS</b>		
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	<u>(1,279,577)</u>	<u>(653,050)</u>
Increase (decrease) in temporarily restricted net assets	<u>271,701</u>	<u>(27,712)</u>
Decrease in net assets	(16,523,762)	(34,201,169)
Net assets, beginning of year	<u>111,729,091</u>	<u>145,930,260</u>
Net assets, end of year	<u>\$ 95,205,329</u>	<u>\$ 111,729,091</u>

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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Consolidated Statements of Cash Flows**  
For the years ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
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	<u>1,766,955</u>	<u>(913,025)</u>
Net cash (used in) provided by operating activities before trading securities	(7,394,367)	762,970
Change in investments - trading securities	<u>4,163,199</u>	<u>3,696,819</u>
Net cash (used in) provided by operating activities	<u>(3,231,168)</u>	<u>4,459,789</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchases of property, plant, and equipment, net	<u>(4,664,428)</u>	<u>(3,412,029)</u>
Net cash used in investing activities	<u>(4,664,428)</u>	<u>(3,412,029)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of long-term debt	(597,717)	(583,381)
Restricted contributions and investment return	<u>565,938</u>	<u>478,106</u>
Net cash used in by financing activities	<u>(31,779)</u>	<u>(105,275)</u>
Net (decrease) increase in cash and cash equivalents	(7,927,375)	942,485
Cash and cash equivalents - beginning of year	<u>18,471,300</u>	<u>17,528,815</u>
Cash and cash equivalents - end of year	<u>\$ 10,543,925</u>	<u>\$ 18,471,300</u>
Supplemental disclosures of cash flow information:		
Interest paid	<u>\$ 151,694</u>	<u>\$ 170,421</u>

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



# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Financial Statements

December 31, 2015 and 2014

---

### 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

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

### December 31, 2015 and 2014

---

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 trustee 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 WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

December 31, 2015 and 2014

---

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

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

## **Notes to Consolidated Statements**

### **December 31, 2015 and 2014**

---

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.

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

December 31, 2015 and 2014

---

### **Charity Care and Community Benefit**

The Organization provides charity care to patients who meet certain financial criteria under the Organization's 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.

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

December 31, 2015 and 2014

---

- 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.

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

December 31, 2015 and 2014

---

### 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, or 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.

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

### December 31, 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.



**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

---

**3. ASSETS WHOSE USE IS LIMITED**

At December 31, 2015 and 2014, assets whose use is limited consist of the following:

	<b>December 31,</b>	
	<b>2015</b>	<b>2014</b>
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
	<u>\$ 82,985,296</u>	<u>\$ 93,854,367</u>
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
	<u>\$ 24,712,105</u>	<u>\$ 26,245,577</u>
Self-insurance trust:		
Cash and cash equivalents	\$ 33,353	\$ 99,114
Fixed income	2,172,792	2,513,593
	<u>\$ 2,206,145</u>	<u>\$ 2,612,707</u>
Restricted use - cash	<u>\$ 223,435</u>	<u>\$ 212,678</u>
Depreciation fund - cash and cash equivalents	<u>\$ 31,776</u>	<u>\$ 31,776</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
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)
	<u>272,754</u>	<u>287,922</u>
Kennedy Duncan Fund:		
Cash and cash equivalents	148,660	91,734
Equity securities	1,760,930	1,868,065
Due from broker	169	689
	<u>1,909,759</u>	<u>1,960,488</u>
Employee recognition fund - cash equivalents	104,607	104,592
Restricted - cash	<u>1,115,980</u>	<u>513,327</u>
Total donor-restricted long-term investments	<u>\$ 3,403,100</u>	<u>\$ 2,866,329</u>
Total assets whose use is limited	<u>\$ 113,561,857</u>	<u>\$ 125,823,434</u>

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

	<u>Year Ended December 31,</u>	
	<u>2015</u>	<u>2014</u>
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	<u>(8,689,840)</u>	<u>(3,143,844)</u>
	<u>\$ (5,756,689)</u>	<u>\$ 2,543,898</u>

**4. FAIR VALUE MEASUREMENT OF FINANCIAL INSTRUMENTS**

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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

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

<b>December 31, 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<u>57,865,002</u>	<u>55,507,887</u>	<u>11,022,186</u>	<u>124,395,075</u>
Interest rate cap	-	236	-	236
Total assets	<u>\$ 57,865,002</u>	<u>\$ 55,508,123</u>	<u>\$ 11,022,186</u>	<u>\$ 124,395,311</u>
<b>December 31, 2014</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
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
	<u>61,652,184</u>	<u>53,116,230</u>	<u>24,139,985</u>	<u>138,908,399</u>
Interest rate cap	-	8,249	-	8,249
Total assets	<u>\$ 61,652,184</u>	<u>\$ 53,124,479</u>	<u>\$ 24,139,985</u>	<u>\$ 138,916,648</u>

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:

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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

Level 3 Investments	Balance at December 31, 2013	Net Realized and Unrealized			Sales (Withdrawals)	Transfers (Net)	Balance at December 31, 2014
		Gains (Losses)	Purchases (Contributions)				
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	<u>\$ 30,766,602</u>	<u>\$ (2,486,167)</u>	<u>\$ 3,612,476</u>	<u>\$ (7,752,926)</u>	<u>\$ -</u>	<u>\$ 24,139,985</u>	

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

The 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 <sup>(a)</sup>	\$ 23,543,439	\$ 32,256,175	\$ 95,657	Monthly-Annually	30 - 60 days	91 days
Common trust funds/mutual funds <sup>(b)</sup>	11,968,190	12,243,115	-	Monthly-Quarterly	15 - 95 days	N/A
Limited partnerships <sup>(c)</sup>	<u>31,018,444</u>	<u>32,756,925</u>	<u>835,467</u>	Monthly or at termination of fund	Ranges between 10 - 15 days and no redemption	1 - 5 Years
	<u>\$ 66,530,073</u>	<u>\$ 77,256,215</u>	<u>\$ 931,124</u>			

<sup>(a)</sup> *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.

<sup>(b)</sup> *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.

<sup>(c)</sup> *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.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

---

**5. PERMANENTLY RESTRICTED NET ASSETS**

Permanently restricted net assets consisted of the following at December 31, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Kennedy Duncan Fund	\$ 387,585	\$ 387,585
Home Health Education Fund	300,000	300,000
Employee Recognition Fund	<u>100,000</u>	<u>100,000</u>
Total	<u>\$ 787,585</u>	<u>\$ 787,585</u>

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

*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.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

Changes in endowment funds and net assets for the years ended December 31, 2015 and 2014 consist of the following:

	<b>Temporarily Restricted</b>	<b>Permanently Restricted</b>	<b>Total</b>
<b>Endowment funds and net assets, December 31, 2013</b>	\$ 1,733,946	\$ 787,585	\$ 2,521,531
Investment returns:			
Investment loss	(13,980)	-	(13,980)
Net appreciation	<u>135,072</u>	<u>-</u>	<u>135,072</u>
Total investment return	121,092	-	121,092
Appropriation of endowment investment return for expenditure	<u>(350)</u>	<u>-</u>	<u>(350)</u>
<b>Endowment funds and net assets, December 31, 2014</b>	1,854,688	787,585	2,642,273
Investment returns:			
Investment loss	(9,920)	-	(9,920)
Net depreciation	<u>(87,579)</u>	<u>-</u>	<u>(87,579)</u>
Total investment return	(97,499)	-	(97,499)
Appropriation of endowment investment return for expenditure	<u>(150)</u>	<u>-</u>	<u>(150)</u>
<b>Endowment funds and net assets, December 31, 2015</b>	<u>\$ 1,757,039</u>	<u>\$ 787,585</u>	<u>\$ 2,544,624</u>

*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.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

**6. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment at December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
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	<u>45,275,189</u>	<u>42,748,198</u>
	141,437,631	136,631,289
Less accumulated depreciation and amortization	<u>(110,928,737)</u>	<u>(105,596,547)</u>
	30,508,894	31,034,742
Construction in progress	<u>195,980</u>	<u>357,101</u>
	<u>\$ 30,704,874</u>	<u>\$ 31,391,843</u>

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:

	<u>2015</u>	<u>2014</u>
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	<u>620,090</u>	<u>870,346</u>
	5,832,001	6,429,718
Less current portion	<u>(612,924)</u>	<u>(597,718)</u>
	<u>\$ 5,219,077</u>	<u>\$ 5,832,000</u>

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Consolidated Statements

### December 31, 2015 and 2014

---

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.



**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

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

<u>Years</u>	<u>New Term Loan</u>	<u>Old Term Loan</u>	<u>Capital Lease Obligation</u>
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	-	-
Thereafter	<u>6,185,667</u>	<u>-</u>	<u>-</u>
Total	7,700,000	5,211,911	667,055
Less amount representing interest on capital lease obligation	<u>-</u>	<u>-</u>	<u>(46,966)</u>
	<u>\$ 7,700,000</u>	<u>\$ 5,211,911</u>	<u>\$ 620,089</u>

**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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

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	<u>(4,114,087)</u>	<u>(3,839,910)</u>	<u>(126,068)</u>	<u>(119,866)</u>
Unfunded status - end of year - amount recognized in the consolidated statements of financial position	<u>(52,695,998)</u>	<u>(53,690,154)</u>	<u>(5,374,061)</u>	<u>(5,706,710)</u>
Benefit obligation and fair value of plan assets are as follows:				
Projected benefit obligation	<u>(117,402,254)</u>	<u>(121,959,760)</u>	<u>(5,374,061)</u>	<u>(5,706,710)</u>
Accumulated benefit obligation	<u>(116,152,850)</u>	<u>(120,976,365)</u>	<u>-</u>	<u>-</u>
Fair value of plan assets	<u>64,436,256</u>	<u>68,269,606</u>	<u>-</u>	<u>-</u>
Other accrued retirement benefits adjustment	<u>(2,362,606)</u>	<u>28,051,237</u>	<u>(461,154)</u>	<u>1,626,851</u>
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)	<u>4,130,443</u>	<u>1,427,706</u>	<u>(8,130)</u>	<u>(115,904)</u>
Net periodic benefit cost	<u>\$ 5,298,325</u>	<u>\$ 1,868,370</u>	<u>\$ 254,573</u>	<u>\$ 88,588</u>

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.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

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

Assumptions	Defined Benefit Plans		Other Postretirement Benefits	
	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
	<u>100 %</u>	<u>100 %</u>

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

**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:

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

  

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

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

<sup>(b)</sup> Comprised of debt securities in publicly and privately held mutual funds.

<sup>(c)</sup> 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:

<b>Asset Class</b>	<b>Min %</b>	<b>Target %</b>	<b>Max %</b>
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

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

---

**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:

<b>Fiscal Years Ending December 31,</b>	<b>Plan</b>	<b>OPEB</b>
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:

	<b>On Portion of Salary within Social Security Wage Base</b>	<b>On Salary Above Social Security Wage Base</b>
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).

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
Notes to Consolidated Statements  
December 31, 2015 and 2014

---

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

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

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:

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

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.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Notes to Consolidated Statements**  
**December 31, 2015 and 2014**

---

**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:

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

**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**

---

	<u>2015</u>	<u>2014</u>
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	<u>8,738</u>	<u>10,025</u>
Total other revenue	<u>\$ 5,933,260</u>	<u>\$ 5,701,698</u>
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	<u>23,078</u>	<u>31,594</u>
Total net assets released from restrictions - operations	<u>\$ 226,975</u>	<u>\$ 398,042</u>

**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		Net Assets December 31, 2015
				Operations	Capital Acquisitions	
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
	<u>\$ 2,622,961</u>	<u>\$ 662,975</u>	<u>\$ (97,037)</u>	<u>\$ 226,975</u>	<u>\$ 67,262</u>	<u>\$ 2,894,662</u>

# 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
<b>MEDICAL REHABILITATION SERVICES</b>						
<b>NURSING AND MEDICAL</b>						
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	<u>92,856</u>	<u>254,253</u>	<u>347,109</u>	<u>87,611</u>	<u>328,714</u>	<u>416,325</u>
Total nursing and medical	<u>21,230,064</u>	<u>2,247,698</u>	<u>23,477,762</u>	<u>21,066,437</u>	<u>2,175,074</u>	<u>23,241,511</u>
<b>OTHER PROFESSIONAL</b>						
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	<u>790,173</u>	<u>26,557</u>	<u>816,730</u>	<u>783,043</u>	<u>20,569</u>	<u>803,612</u>
Total other professional	<u>10,783,809</u>	<u>2,470,919</u>	<u>13,254,728</u>	<u>10,539,235</u>	<u>2,628,518</u>	<u>13,167,753</u>
<b>AMBULATORY CARE</b>	<u>93,908</u>	<u>480</u>	<u>94,388</u>	<u>92,416</u>	<u>798</u>	<u>93,214</u>
<b>GENERAL SERVICES</b>						
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	<u>94,273</u>	<u>8,196</u>	<u>102,469</u>	<u>97,533</u>	<u>2,795</u>	<u>100,328</u>
Total general services	<u>4,457,610</u>	<u>3,637,831</u>	<u>8,095,441</u>	<u>4,369,927</u>	<u>3,670,794</u>	<u>8,040,721</u>

# 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
<b>MEDICAL REHABILITATION SERVICES</b>						
<b>ADMINISTRATIVE AND FISCAL SERVICES</b>						
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	<u>5,876,306</u>	<u>4,400,756</u>	<u>10,277,062</u>	<u>5,421,016</u>	<u>5,354,540</u>	<u>10,775,556</u>
PROVISION FOR BAD DEBTS	-	290,078	290,078	-	203,418	203,418
<b>EMPLOYEE BENEFITS</b>						
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	-	<u>16,615,398</u>	<u>16,615,398</u>	-	<u>12,552,568</u>	<u>12,552,568</u>
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	<u>42,441,697</u>	<u>33,572,961</u>	<u>76,014,658</u>	<u>41,489,031</u>	<u>30,584,818</u>	<u>72,073,849</u>

# 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
<b>MEDICAL REHABILITATION SERVICES</b>						
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
<b>MEDICAL RESEARCH SERVICES</b>						
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	-

*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
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

*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
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	<u>\$ 2,169,915</u>	<u>\$ 4,348,810</u>	<u>\$ -</u>	<u>\$ 3,975,774</u>	<u>\$ 215,373</u>	<u>\$ 1,091,619</u>	<u>\$ 601,228</u>	<u>\$ 1,837,187</u>

*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**

<b>Account Name</b>	<b>Refundable Advances December 31, 2014</b>	<b>Gifts Donations and Grants</b>	<b>Federal Grants</b>	<b>Direct Costs</b>	<b>Expenditures Indirect Costs</b>	<b>Consortiums/ Equipment Additions</b>	<b>Reclasses and Transfers</b>	<b>Refundable Advances December 31, 2015</b>
<b>FEDERAL GRANTS</b>								
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**

	<u>Foundation</u>	<u>Institute</u>	<u>Elimination Entries</u>	<u>Combined Foundation and Institute</u>	<u>Hospital</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
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	<u>4,015,975</u>	<u>3,114,331</u>	<u>(283,055)</u>	<u>6,847,251</u>	<u>19,354,230</u>	<u>(431,325)</u>	<u>25,770,156</u>
<b>ASSETS WHOSE USE IS LIMITED</b>							
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)
	<u>82,985,296</u>	<u>-</u>	<u>-</u>	<u>82,985,296</u>	<u>29,937,126</u>	<u>-</u>	<u>112,922,422</u>
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	<u>\$ 87,001,271</u>	<u>\$ 12,357,013</u>	<u>\$ (283,055)</u>	<u>\$ 99,075,229</u>	<u>\$ 70,838,116</u>	<u>\$ (431,325)</u>	<u>\$ 169,482,020</u>

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

**THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES**  
**Consolidating Statements of Financial Position**  
**As of December 31, 2015**

	Foundation	Institute	Elimination Entries	Combined Foundation and Institute	Hospital	Elimination Entries	Consolidated Balances
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
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	<u>714,380</u>	<u>-</u>	<u>(283,055)</u>	<u>431,325</u>	<u>-</u>	<u>(431,325)</u>	<u>-</u>
Total current liabilities	<u>744,813</u>	<u>3,215,102</u>	<u>(283,055)</u>	<u>3,676,860</u>	<u>7,776,150</u>	<u>(431,325)</u>	<u>11,021,685</u>
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,221,040</u>	<u>-</u>	<u>56,221,040</u>
Total liabilities	<u>744,813</u>	<u>8,079,553</u>	<u>(283,055)</u>	<u>8,541,311</u>	<u>66,166,705</u>	<u>(431,325)</u>	<u>74,276,691</u>
<b>NET ASSETS</b>							
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	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>787,585</u>	<u>-</u>	<u>787,585</u>
Total net assets	<u>86,256,458</u>	<u>4,277,460</u>	<u>-</u>	<u>90,533,918</u>	<u>4,671,411</u>	<u>-</u>	<u>95,205,329</u>
Total liabilities and net assets	<u>\$ 87,001,271</u>	<u>\$ 12,357,013</u>	<u>\$ (283,055)</u>	<u>\$ 99,075,229</u>	<u>\$ 70,838,116</u>	<u>\$ (431,325)</u>	<u>\$ 169,482,020</u>

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

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

	<u>Foundation</u>	<u>Institute</u>	<u>Elimination Entries</u>	<u>Combined Foundation and Institute</u>	<u>Hospital</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
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	<u>3,037,626</u>	<u>4,298,779</u>	<u>-</u>	<u>7,336,405</u>	<u>27,356,455</u>	<u>(667,298)</u>	<u>34,025,562</u>
<b>ASSETS WHOSE USE IS LIMITED</b>							
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
	<u>93,854,367</u>	<u>-</u>	<u>-</u>	<u>93,854,367</u>	<u>31,969,067</u>	<u>-</u>	<u>125,823,434</u>
Less: assets whose use is limited required for current liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(808,678)</u>	<u>-</u>	<u>(808,678)</u>
	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	<u>\$ 96,891,993</u>	<u>\$ 13,571,622</u>	<u>\$ -</u>	<u>\$ 110,463,615</u>	<u>\$ 80,734,017</u>	<u>\$ (667,298)</u>	<u>\$ 190,530,334</u>

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

**07 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
<b>LIABILITIES AND NET ASSETS</b>							
<b>CURRENT LIABILITIES</b>							
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
<b>NET ASSETS</b>							
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**

	<u>Foundation</u>	<u>Institute</u>	<u>Elimination Entries</u>	<u>Combined Foundation and Institute</u>	<u>Hospital</u>	<u>Elimination Entries</u>	<u>Consolidated Balances</u>
<b>UNRESTRICTED NET ASSETS</b>							
<b>REVENUES</b>							
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	<u>-</u>	<u>15,029,423</u>	<u>(4,190,854)</u>	<u>10,838,569</u>	<u>69,473,798</u>	<u>(2,750,450)</u>	<u>77,561,917</u>
<b>EXPENSES</b>							
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	<u>5,773,537</u>	<u>16,619,000</u>	<u>(4,190,854)</u>	<u>18,201,683</u>	<u>76,014,659</u>	<u>(2,750,450)</u>	<u>91,465,892</u>
Loss from operations	<u>(5,773,537)</u>	<u>(1,589,577)</u>	<u>-</u>	<u>(7,363,114)</u>	<u>(6,540,861)</u>	<u>-</u>	<u>(13,903,975)</u>
<b>NONOPERATING GAINS AND (LOSSES) - NET</b>							
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	<u>(4,399,306)</u>	<u>-</u>	<u>-</u>	<u>(4,399,306)</u>	<u>(1,357,383)</u>	<u>-</u>	<u>(5,756,689)</u>
Nonoperating loss - net	<u>(3,861,252)</u>	<u>(8,013)</u>	<u>-</u>	<u>(3,869,265)</u>	<u>(3,125,559)</u>	<u>-</u>	<u>(6,994,824)</u>
Deficiency in revenue and gains over expenses and losses	<u>(9,634,789)</u>	<u>(1,597,590)</u>	<u>-</u>	<u>(11,232,379)</u>	<u>(9,666,420)</u>	<u>-</u>	<u>(20,898,799)</u>
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>							
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	<u>(816,543)</u>	<u>600,185</u>	<u>-</u>	<u>(216,358)</u>	<u>216,358</u>	<u>-</u>	<u>-</u>
(Decrease) increase in unrestricted net assets	<u>\$ (10,451,332)</u>	<u>\$ 214,908</u>	<u>\$ -</u>	<u>\$ (10,236,424)</u>	<u>\$ (6,559,039)</u>	<u>\$ -</u>	<u>\$ (16,795,463)</u>

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



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

	<b>Foundation</b>	<b>Institute</b>	<b>Elimination Entries</b>	<b>Combined Foundation and Institute</b>	<b>Hospital</b>	<b>Elimination Entries</b>	<b>Consolidated Balances</b>
<b>UNRESTRICTED NET ASSETS</b>							
<b>REVENUES</b>							
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
<b>EXPENSES</b>							
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)
<b>NONOPERATING GAINS AND (LOSSES) - NET</b>							
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)
<b>OTHER CHANGES IN UNRESTRICTED NET ASSETS</b>							
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.*

**THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2015**

Federal Grantor or Pass-through Grantor/Program Title	Federal CFDA Number	Award Amount	Award Term	Federal Grant/Contract	Total Federal Expenditures
<b>U.S. Department of Health And Human Services – National Institute of Health</b>					
<b>Research and Development Cluster:</b>					
National Institute of Aging:					
Mitochondrial Dysfunction in Neuro-degeneration of Aging	93.866	\$ 1,626,785	06/15/2014 – 04/30/2015	5P01AG014930-14	\$ 565,406
Benfotiamine in Alzheimer’s Disease: A Pilot Study	93.866	328,785	09/01/2014 – 05/31/2015	1R01AG043679-01A1	246,985
Benfotiamine in Alzheimer’s Disease: A Pilot Study	93.866	318,922	06/01/2015 – 05/31/2016	5R01AG043679-02	30,745
<b>Total Aging Research</b>					<u>843,136</u>
National Heart, Lung and Blood Institute:					
The Role of CD36 in Ischemic Inflammation and Injury	93.839	460,802	07/01/2014 – 06/30/2015	5R01HL082511-09	325,551
National Institute on Deafness and Communication Disorders:					
Plasticity in the Aging Olfactory System	93.173	530,904	06/01/2014 – 05/31/2015	5R01DC008955-22	196,682
Plasticity in the Aging Olfactory System	93.173	525,595	06/01/2015 – 05/31/2016	5R01DC008955-23	258,010
<b>Total Deafness and Communication Disorders Research</b>					<u>454,692</u>
Eunice Kennedy Shriver Child Health and Human Development:					
Transcranial Direct Current Stimulation & Robotics	93.865	632,372	03/01/2014 – 02/28/2015	5R01HD069776-03	145,916
Transcranial Direct Current Stimulation & Robotics	93.865	633,698	03/01/2015 – 02/29/2016	5R01HD069776-04	603,079
Non-invasive Stimulation for Improving Motor Function	93.865	231,858	08/01/2014 – 07/31/2015	5R21HD077616-02	151,566
Neural Predictors of Hand Therapy Efficacy in Children with Cerebral Palsy	93.865	398,879	09/26/2014 – 06/30/2015	1R01HD076436-01A1	166,655
Neural Predictors of Hand Therapy Efficacy in Children with Cerebral Palsy	93.865	365,750	07/01/2015 – 06/30/2016	5R01HD076436-02	166,655
Transcranial Direct Current Stimulation & Robotic Training in Adults with Cerebral Palsy	93.865	97,500	08/06/2015 – 07/31/2016	1R03HD084971-01	38,188
<b>Total Child Health and Human Development Extramural Research</b>					<u>1,272,059</u>
National Institute of Neurological Disorders and Stroke:					
HDAC6 – Target for Regeneration Following Injury in the nervous system	93.853	376,698	03/01/2014 – 02/28/2015	5R01NS071056-04	25,542
HDAC6 – Target for Regeneration Following Injury in the nervous system	93.853	380,503	03/01/2015 – 02/29/2016	5R01NS071056-05	350,052

*See accompanying note to schedule of expenditures of federal awards.*

**THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES**  
**Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2015**

Federal Grantor or Pass-through Grantor/Program Title	Federal CFDA Number	Award Amount	Award Term	Federal Grant/Contract	Total Federal Expenditures
<b>U.S. Department of Health And Human Services – National Institute of Health (continued)</b>					
National Institute of Neurological Disorders and Stroke (continued):					
Impact of BDNF SNP on stroke-induced plasticity	93.853	\$ 392,507	06/01/2014 – 05/31/2015	5R01NS077897-03	\$ 106,577
Impact of BDNF SNP on stroke-induced plasticity	93.853	396,581	06/01/2015 – 05/31/2016	5R01NS077897-04	270,110
Injury and adaptation in the developing rat corticospinal and rubrospinal tracts	93.853	184,613	09/01/2014 – 08/31/2015	5K08NS073796-04	124,974
Injury and adaptation in the developing rat corticospinal and rubrospinal tracts	93.853	184,613	09/01/2015 – 08/31/2016	5K08NS073796-05	59,696
Using Transcription Factors to Enhance Transplanted Cell Survival for SCI Repair	93.853	589,679	06/01/2014 – 05/31/2015	1R01NS075375-01A1	293,148
Using Transcription Factors to Enhance Transplanted Cell Survival for SCI Repair	93.853	492,627	06/01/2015 – 05/31/2016	5R01NS075375-02	293,148
Elucidating the Mechanisms of Neuroprotection of Histone Deacetylase Inhibition in Ischemic Stroke	93.853	58,742	07/01/2015 – 06/30/2016	1F32NS090810-01A1	33,525
The Knob Supination Task: A Sensitive Test of Corticospinal Function in the Rat	93.853	93,300	02/01/2015 – 01/31/2016	1R03NS091737-01	95,160
Motor Cortex Electrical Stimulation to Augment Spontaneous Recovery After Chronic Subcortical Stroke	93.853	426,563	08/15/2015 – 05/31/2016	1R01NS092875-01	<u>234,250</u>
<b>Total Extramural Research Programs in the Neurosciences and Neurological Disorders</b>					<u>1,886,182</u>
National Institute of Mental Health:					
Allelic Choice in Rett Syndrome	93.242	390,481	03/01/2014 – 02/28/2015	5R01MH090267-05	64,630
National Eye Institute:					
Retinal Neural Processing During Retinal Degenerative Diseases	93.867	412,306	04/01/2014 – 03/31/2015	5R01EY020535-05	94,954
B-RAF drives regenerative axon growth in optic nerve in vivo	93.867	443,450	05/01/2014 – 04/30/2015	5R01EY022409-03	229,758
B-RAF drives regenerative axon growth in optic nerve in vivo	93.867	443,450	05/01/2015 – 04/30/2016	5R01EY022409-04	<u>241,633</u>
<b>Total Vision Research</b>					<u>566,345</u>
<b>Total Research and Development Cluster and Federal Expenditures</b>					<u>\$ 5,412,595</u>

*See accompanying note to schedule of expenditures of federal awards.*

# THE WINIFRED MASTERSON BURKE REHABILITATION HOSPITAL AND SUBSIDIARIES

## Notes to Schedule of Expenditures of Federal Awards

For the year ended December 31, 2015

---

### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) has been prepared on the accrual basis of accounting. The information in the Schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Federal award program amounts, as presented in the accompanying Schedule, represent expenditures or federal award payments administered by the Organization during the year ended December 31, 2015. Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports filed by the Organization.

### 2. SUBRECIPIENTS

Of the federal expenditures presented on the accompanying schedule, the Organization provided federal awards to sub-recipients as follows:

Sub-recipient/Program Title	Federal CFDA Number	Amount Provided to Sub-recipients
Weill Medical College of Cornell: Aging Research	93.866	\$ 258,024
Columbia University: Aging Research	93.866	47,450
Weill Medical College of Cornell: Heart, Lung Research	93.839	42,500
Weill Medical College of Cornell: Neuroscience & Neurological Disorders	93.853	44,771
The University of South Carolina: Neuroscience & Neurological Disorders	93.853	48,500
The University of Texas at Dallas: Neuroscience & Neurological Disorders	93.853	11,012
Massachusetts Institute of Technology – Trans: Child Health & Human Development	93.865	152,707
Beth Israel Deaconess Medical/Research Finance: Child Health & Human Development	93.865	75,822
Spaulding Rehabilitation Hospital: Child Health & Human Development	93.865	25,055

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the year ended December 31, 2015**

---

<u>Sub-recipient/Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Sub-recipients</u>
The Feinstein Institute for Medical Research: Child Health & Human Development	93.865	\$ 98,475
Teachers College, Columbia University: Child Health & Human Development	93.865	26,371
Boston's Children Hospital: National Eye Institute	93.867	<u>34,956</u>
		<u>\$ 865,643</u>



Grant Thornton LLP  
757 Third Avenue, 9th Floor  
New York, NY 10017  
T 212.599.0100  
F 212.370.4520  
[GrantThornton.com](http://GrantThornton.com)  
[linkd.in/GrantThorntonUS](https://www.linkedin.com/company/grantthorntonus)  
[twitter.com/GrantThorntonUS](https://twitter.com/GrantThorntonUS)

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors of  
**The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries**

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries (the “Organization”), which comprise the consolidated statement of financial position as of December 31, 2015, and the related consolidated statements of operations, consolidated statements of changed in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated May 31, 2016.

**Internal control over financial reporting**

In planning and performing our audit of the consolidated financial statements, we considered the Organization’s internal control over financial reporting (“internal control”) to design audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Organization’s financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and other matters**

As part of obtaining reasonable assurance about whether the Organization's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Intended purpose**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Organization's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Grant Thornton LLP

New York, New York  
May 31, 2016

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS  
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors of  
**The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries**

**Report on compliance for each major federal program**

We have audited the compliance of The Winifred Masterson Burke Rehabilitation Hospital and Subsidiaries (the “Organization”) with the types of compliance requirements described in the U.S. Office of Management and Budget’s *OMB Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015. The Organization’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to the Organization’s federal programs.

**Auditor’s responsibility**

Our responsibility is to express an opinion on compliance for each of the Organization’s major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Organization’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Organization's compliance.

**Opinion on each major federal program**

In our opinion, the Organization complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

**Report on internal control over compliance**

Management of the Organization is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Organization's internal control over compliance with the types of compliance requirements that could have a direct and material effect on each major federal program to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in the Organization's internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this Report on Internal Control Over Compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Grant Thornton LLP*

New York, New York  
May 31, 2016

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Schedule of Findings and Questioned Costs**  
**For the year ended December 31, 2015**

---

**SECTION I - SUMMARY OF AUDITORS' RESULTS**

**Financial Statements**

Type of auditors' report issued Unmodified

Internal control over financial reporting material weakness(es) identified? \_\_yes X no

Significant deficiency(ies) identified that are not considered to be material weaknesses? \_\_yes X no

Noncompliance material to financial statements noted? \_\_yes X no

**Federal Awards**

Internal control over the major program significant deficiency(ies) identified? \_\_ yes X no

Type of auditors' report issued on compliance for the major program: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Subpart F, section 516 of the Uniform Guidance? \_\_yes X no

**Identification of the major program**

<b>Name of Grantor and Federal Program or Cluster</b>	<b>Federal CFDA Number</b>
Research and Development Cluster	93.866, 93.839, 93.173 93.865, 93.853, 93.242, 93.867
Dollar threshold used to distinguish between type A and type B programs	\$750,000
Auditee qualified as low-risk auditee?	<u>X</u> yes no

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Schedule of Findings and Questioned Costs**  
**For the year ended December 31, 2015**

---

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**THE WINIFRED MASTERSON BURKE REHABILITATION  
HOSPITAL AND SUBSIDIARIES**  
**Schedule of Findings and Questioned Costs**  
**For the year ended December 31, 2015**

---

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

None noted.