

**Westchester County  
Health Care Corporation**  
Basic Financial Statements and  
Supplementary Schedules  
(With Management's Discussion and Analysis)  
December 31, 2014 and 2013  
(With Report of Independent Certified Public Accountants)

**Westchester County Health Care Corporation**  
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**December 31, 2014 and 2013**

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## **REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

Board of Directors

### **Westchester County Health Care Corporation**

We have audited the accompanying financial statements of the business-type activities of Westchester County Health Care Corporation (“WCHCC”), as of and for the years ended December 31, 2014 and 2013, 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 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 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 financial statements based on our audits. We did not audit the financial statements of WCHCC (Bermuda), Limited, a wholly owned subsidiary of WMC New York, Inc., which is a blended component unit of WCHCC, which statements reflect total assets constituting \$130,827,000 and \$115,773,000 and total liabilities constituting \$87,359,000 and \$87,312,000 as of December 31, 2014 and 2013, respectively. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for WCHCC (Bermuda), Limited, is based solely on the reports of the other auditor’s. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the 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 entity'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 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, based on our audits and the reports of the other auditors the financial statements referred to above present fairly, in all material respects, the net position of the business-type activities of Westchester County Health Care Corporation as of December 31, 2014 and 2013, and the changes in financial position and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### **Required Supplemental Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10 and the required supplementary information on page 41 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplemental Information**

The accompanying combining information included on the supplemental schedules on pages 42 through 45 are presented for purposes of additional analysis and are not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 financial statements or to the 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 financial statements as a whole.

*Grant Thornton LLP*

New York, New York  
April 1, 2015

# **Westchester County Health Care Corporation**

## **Management's Discussion and Analysis (Unaudited)**

### **December 31, 2014 and 2013**

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This section of the Westchester County Health Care Corporation (WCHCC) annual financial report presents management's discussion and analysis of WCHCC's financial performance during the years ended December 31, 2014 and 2013. The purpose is to provide an objective analysis of the financial activities of WCHCC based on currently known facts, decisions, and conditions. Please read it in conjunction with the basic financial statements, which follow this section.

#### **Overview of the Basic Financial Statements**

This annual report consists of three parts – management's discussion and analysis, the basic financial statements, and supplementary schedules.

The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements) present, on a comparative basis, the financial position of WCHCC at December 31, 2014 and 2013 and the changes in its financial position for the years then ended. These financial statements report information about WCHCC using accounting methods similar to those used by private-sector companies. The Statements of Net Position include all of WCHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position reflect each year's activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report WCHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about each year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The notes to the financial statements explain information in the financial statements and provide more detailed data.

On May 9, 2014, WCHCC acquired substantially all the assets of Saint Francis Hospital Poughkeepsie, New York and certain related entities (St. Francis). As part of the acquisition, the hospital was renamed MidHudson Regional Hospital of Westchester Medical Center (MidHudson Regional Hospital) and additional entities were established including; a physician practice - Westchester Medical Regional Physician Services, P.C., a home health agency - North Road LHCSA, a day care and education center - Mid-Hudson Valley Early Education Center and a professional employer organization – Mid-Hudson Valley Staffco, LLC (collectively referred to as the MidHudson Campus). More detailed information about the acquisition and new entities is presented in Note 1 to the financial statements.

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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**Financial Analysis**  
**Summary of Assets, Liabilities, and Net Position**  
**December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<b>2014-2013 Percentage Change</b>
<b>Assets</b>				
Current assets	\$ 420,529,534	\$ 389,770,835	\$ 359,199,221	7.9%
Capital assets	409,586,001	318,117,153	304,807,732	28.8
Other assets	130,617,480	163,738,752	165,457,576	(20.2)
Total assets	<u>\$ 960,733,015</u>	<u>\$ 871,626,740</u>	<u>\$ 829,464,529</u>	<u>10.2%</u>
<b>Liabilities</b>				
Current liabilities	\$ 272,759,841	\$ 221,019,230	\$ 203,468,035	23.4%
Long-term portion of debt	474,608,373	435,395,581	441,751,530	9.0
Other long-term liabilities	223,595,121	229,634,424	204,937,128	(2.6)
Total liabilities	<u>\$ 970,963,335</u>	<u>\$ 886,049,235</u>	<u>\$ 850,156,693</u>	<u>9.6%</u>
<b>Net position</b>				
Restricted	\$ 8,123,631	\$ 8,382,305	\$ 7,106,100	(3.1)%
Unrestricted	<u>(18,353,951)</u>	<u>(22,804,800)</u>	<u>(27,798,264)</u>	<u>(19.5)</u>
Total net position	<u>\$ (10,230,320)</u>	<u>\$ (14,422,495)</u>	<u>\$ (20,692,164)</u>	<u>(29.1)%</u>

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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**Financial Analysis**

**Summary of Revenues, Expenses, and Changes in Net Position**

**Years ended December 31, 2014, 2013 and 2012**

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<b>2014-2013 Percentage Change</b>
<b>Operating revenues</b>				
Net patient service revenue	\$ 1,025,476,316	\$ 895,371,943	\$ 867,780,675	14.5%
Other revenue	<u>33,655,109</u>	<u>23,416,354</u>	<u>25,652,393</u>	<u>43.7</u>
Total operating revenues	<u>1,059,131,425</u>	<u>918,788,297</u>	<u>893,433,068</u>	<u>15.3</u>
<b>Operating expenses</b>				
Salaries and benefits	562,874,363	473,772,966	488,827,468	18.8
Supplies and other expenses	414,140,187	361,061,294	326,173,658	14.7
Professional liability	8,176,954	13,714,339	15,029,291	(40.4)
Depreciation and amortization	<u>50,427,930</u>	<u>44,105,277</u>	<u>43,849,809</u>	<u>14.3</u>
Total operating expenses	<u>1,035,619,434</u>	<u>892,653,876</u>	<u>873,880,226</u>	<u>16.0</u>
Operating income	23,511,991	26,134,421	19,552,842	(10.0)
<b>Nonoperating activities, net</b>	<u>(19,319,816)</u>	<u>(19,864,752)</u>	<u>(18,655,216)</u>	<u>(2.7)</u>
Increase in net position	4,192,175	6,269,669	897,626	(33.1)
<b>Net position</b>				
Beginning of year	<u>(14,422,495)</u>	<u>(20,692,164)</u>	<u>(21,589,790)</u>	<u>(30.3)</u>
End of year	<u>\$ (10,230,320)</u>	<u>\$ (14,422,495)</u>	<u>\$ (20,692,164)</u>	<u>(29.1)%</u>

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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**Overall Financial Position and Operations**

WCHCC reported operating income of \$23.5 million, \$26.1 million and \$19.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. WCHCC's net position increased \$4.2 million from December 31, 2013 to December 31, 2014 and increased \$6.3 million from December 31, 2012 to December 31, 2013.

Significant financial indicators are as follows:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Operating income (in millions)	\$ 23.5	\$ 26.1	\$ 19.6
Current ratio	1.5	1.8	1.8
Quick ratio	1.4	1.7	1.7
Days cash on hand	77.0	87.9	83.9

**Analysis of Financial Position**

In this section, WCHCC management provides our analysis of December 31, 2014 financial amounts, compared to December 31, 2013 financial amounts, and, where appropriate, December 31, 2013 financial amounts, compared to December 31, 2012.

**Assets and Liabilities**

***Cash and Cash Equivalents***

The cash position increased \$3.4 million at December 31, 2014 compared to December 31, 2013 due to increased net patient service revenue from increased rates and cash provided from operations. The cash position increased \$13.6 million at December 31, 2013 compared to December 31, 2012 due to increased net patient service revenue from increased patient volume and cash provided by operations.

***Patient Accounts Receivable, Net***

Patient accounts receivable reflected days outstanding of 53.2, 52.1 and 48.7 at December 31, 2014, 2013 and 2012, respectively. The increase in days outstanding at December 31, 2014 compared to December 31, 2013 is the result of increased accounts receivable due to the addition of MidHudson Regional Hospital. The increase in days outstanding at December 31, 2013 compared to December 31, 2012 is the result of increased accounts receivable due to increased volume in 2013.

***Other Current Assets***

Other current assets increased \$5.7 million from December 31, 2013 to December 31, 2014 primarily due to the increase in inventory balances and increased \$4.4 million from December 31, 2012 to December 31, 2013 primarily due to the increases in inventory balances and prepaid balances.

***Assets Restricted as to Use***

Assets restricted as to use decreased \$33.1 million from December 31, 2013 to December 31, 2014 due to decreases in construction funds of \$29.8 million, funds restricted for malpractice claims of \$2.9 million and restricted contributions of \$0.4 million.

Assets restricted as to use decreased \$1.5 million from December 31, 2012 to December 31, 2013 due to the decrease in construction funds of \$12.8 million partially offset by the increase in funds restricted for malpractice claims of \$10.0 million and the increase in restricted contributions for the capital campaign of \$1.3 million.



**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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***Capital Assets***

WCHCC's capital additions, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, in 2014 were \$142.0 million offset by depreciation expense of \$50.5 million. WCHCC's capital additions, consisting of various capital projects and medical equipment purchases, in 2013 were \$57.4 million offset by depreciation expense of \$44.1 million.

Capital assets increased \$91.5 million from December 31, 2013 to December 31, 2014 primarily due to the acquisition of St. Francis and related capital leases and capital expenditures from bond proceeds. Capital assets increased \$13.3 million from December 31, 2012 to December 31, 2013 due to an increase in capital expenditures in 2013, primarily from bond proceeds.

***Accounts Payable and Accrued Expenses***

Accounts payable and accrued expenses increased \$24.1 million from December 31, 2013 to December 31, 2014 primarily due to the addition of supply costs for MidHudson Regional Hospital and increased \$1.7 million from December 31, 2012 to December 31, 2013 due to increased supply costs.

***Accrued Salaries and Related Withholdings***

Accrued salaries and related withholdings increased \$11.4 million from December 31, 2013 to December 31, 2014 reflecting additional accruals for payroll and related withholdings for the MidHudson Campus and increased \$7.7 million from December 31, 2012 to December 31, 2013 reflecting additional accruals due to the timing of the year end payroll and an increase in the required pension contribution to the New York State and Local Retirement System (NYSLRS) on February 1, 2014, as a result of increased contribution rates.

***Other Current Liabilities***

Other current liabilities increased \$15.0 million from December 31, 2013 to December 31, 2014 primarily due to increases in current portions of third-party payor liabilities, post-retirement health partially offset by a decrease in self-insurance liabilities, and increased \$5.4 million from December 31, 2012 to December 31, 2013 primarily due to increases in current portions of third-party payor liabilities, post-retirement health and other current liabilities relating to deferred pension payments partially offset by a decrease in self-insurance liabilities.

***Long-Term Debt***

Long-term debt increased \$40.4 million from December 31, 2013 to December 31, 2014 due to a bond offering of \$27.4 million in connection with the acquisition of St. Francis and new capital lease obligations of \$32.9 million partially offset by bond principal payments and capital lease payments of \$19.9 million.

Long-term debt decreased \$3.6 million from December 31, 2012 to December 31, 2013 due to bond principal payments and capital lease payments of \$16.6 million offset by new capital lease obligations of \$13.0 million.

***Other Long-Term Liabilities***

Other long-term liabilities decreased approximately \$6.0 million from December 31, 2013 to December 31, 2014 due to decreases of \$3.5 million for third party payor liabilities, \$2.7 million for deferred pension and \$0.6 million for insurance, partially offset by an increase of \$0.8 million for post-retirement health insurance liability.

Other long-term liabilities increased approximately \$24.7 million from December 31, 2012 to December 31, 2013 due to increases of \$16.9 million for third party payor liabilities, \$5.5 million for deferred pension, \$1.7 million for post-retirement health insurance liability and \$0.6 million for insurance.

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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**Revenues and Expenses**

***Net Patient Service Revenue***

Net patient service revenue increased \$130.1 million from 2013 to 2014. The increases included the acquisition of St. Francis on May 9, 2014 accounting for \$77.3 million which included the 243 bed hospital, a licensed home care program and physician practice; an increase at the Valhalla hospital of \$40.0 million primarily due to higher inpatient and outpatient rates, an increase in the physician practice revenue of \$5.1 million and higher Medicaid disproportionate share revenue of \$7.7 million.

Net patient service revenue increased \$27.6 million from 2012 to 2013. The increases included higher inpatient and outpatient payment rates of \$16.6 million and patient volume increases of \$11.0 million.

***Other Revenue***

Other revenue increased \$10.2 million from 2013 to 2014 due to an increase in grant revenue, rental income and management fees and decreased \$2.2 million from 2012 to 2013 due to a reduction in grant revenue.

***Salaries and Benefits***

Salaries and benefits increased \$89.1 million from 2013 to 2014. The increase consists of \$63.8 million in salaries and benefits for the MidHudson Campus, \$26.4 million in salaries for the Valhalla Campus related to increased physician recruitment and related support staff, partially offset by a decrease in Valhalla Campus benefits of \$1.1 million primarily related to pension and unemployment insurance.

Salaries and benefits decreased \$15.1 million from 2012 to 2013. The decrease consists of \$1.7 million in salary expense due to continued outsourcing initiatives and a reduction in benefit costs of \$13.4 million as the result of decreases in health insurance and unemployment insurance.

***Supplies and Other Expenses***

Supplies and other expenses increased approximately \$53.1 million from 2013 to 2014 primarily due to:

- Increase due to the addition of MidHudson Campus of \$33.4 million.
- Increase in technical services of \$14.5 million primarily due to contractual services in connection with certain outsourcing initiatives and legal fees and other costs related to the acquisition of St. Francis Hospital.
- Increase in contractual services of \$2.2 million
- Increase in operating leases and equipment repair of \$1.8 million.
- Increase in utilities of \$1.8 million
- Decrease in other expenses of \$0.6 million.

Supplies and other expenses increased approximately \$34.9 million from 2012 to 2013 primarily due to:

- Increase in medical/surgical supplies costs of \$14.0 million due to increased patient acuity and volume.

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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- Increase in technical services of \$21.2 million primarily due to contractual services in connection with certain outsourcing initiatives.
- Increase in utilities of \$1.3 million
- Decrease in collection agency fees of \$2.2 million.
- Increase in other expenses of \$0.6 million.

***Professional Liability***

Professional liability insurance costs decreased \$5.5 million from 2013 to 2014 due to a decrease in insurance claims, cases and settlements and a decrease in incurred but not reported liability and decreased \$1.3 million from 2012 to 2013 due to a decrease in insurance claims, cases and settlements.

***Depreciation and Amortization Expense***

Depreciation and amortization expense increased \$6.3 million from 2013 to 2014 and \$0.3 million from 2012 to 2013 due capital additions in 2014 and 2013. 2014 capital additions primarily related to the acquisition of St. Francis.

***Nonoperating Activities, Net***

Nonoperating activities, net decreased \$0.5 million from 2013 to 2014 primarily due to increased interest income partially offset by increased interest expense due to a new bond issue and new capital leases.

Nonoperating activities, net increased \$1.2 million from 2012 to 2013 primarily due to decreased interest income partially offset by increased interest expense due to new capital leases.

**Net Position**

As shown in the Statements of Net Position, WCHCC's net position has the following components:

- Restricted
- Unrestricted

***Restricted***

Decreased \$0.2 million from December 31, 2013 to December 31, 2014 due to capital purchases from restricted funds partially offset by capital campaign contributions and increased \$1.3 million from December 31, 2012 to December 31, 2013 due to capital campaign contributions.

***Unrestricted***

Negative unrestricted net position, a deficit, decreased by \$4.4 million, to (\$18.4) million at December 31, 2014 from (\$22.8) million at December 31, 2013. Negative unrestricted net position decreased primarily due to operating income of \$23.5 million and a decrease in restricted net position of \$0.2 million partially offset by nonoperating activities, net of \$19.3 million.

Negative unrestricted net position, a deficit, decreased by \$5.0 million, to (\$22.8) million at December 31, 2012 from (\$27.8) million at December 31, 2013. Negative unrestricted net position decreased primarily due to an operating income of \$26.1 million partially offset by an increase in restricted net position of \$1.3 million and nonoperating activities, net of \$19.8 million.

**Westchester County Health Care Corporation**  
**Management's Discussion and Analysis (Unaudited)**  
**December 31, 2014 and 2013**

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**Capital Assets and Long-Term Debt Activity**

***Capital Assets***

At December 31, 2014, WCHCC had capital assets, net of accumulated depreciation, of \$409.6 million, compared to \$318.1 million at December 31, 2013 and \$304.8 million at December 31, 2012. Major categories of capital assets are set forth in the table below:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
Land and land improvements	\$ 3,247,380	\$ 1,378,087	\$ 1,319,107
Buildings and building improvements	219,996,375	186,192,421	186,255,006
Equipment	163,260,848	116,856,515	99,468,328
Construction in progress	23,081,398	13,690,130	17,765,291
	<u>\$ 409,586,001</u>	<u>\$ 318,117,153</u>	<u>\$ 304,807,732</u>

WCHCC's capital additions in 2014 were \$142.0 million, consisting of the acquisition of St. Francis, various capital projects and medical equipment purchases, offset by depreciation expense of \$50.5 million. WCHCC's capital additions in 2013 were \$57.4 million, consisting of various capital projects and medical equipment purchases, offset by depreciation expense of \$44.1 million.

More detailed information about WCHCC's capital assets is presented in Note 5 to the financial statements.

***Long-Term Debt***

At December 31, 2014, WCHCC had \$494.5 million in total long-term debt outstanding, as shown with comparative amounts at December 31, 2013 and December 31, 2012:

	<u>2014</u>	<u>2013</u>	<u>2012</u>
2000 Series Bonds	\$ 108,170,000	\$ 108,170,000	\$ 108,170,000
2010 Series Bonds	247,125,000	256,940,000	266,295,000
2011 Series Bonds	63,980,000	64,080,000	64,180,000
2014 Series Bonds	27,352,000	-	-
Capital Leases	47,834,215	24,856,136	19,015,840
	<u>\$ 494,461,215</u>	<u>\$ 454,046,136</u>	<u>\$ 457,660,840</u>

Long-term debt increased \$40.4 million from December 31, 2013 to December 31, 2014 due to a new bond offering and new capital leases primarily related to the acquisition of St. Francis partially offset by principal payments on bonds and capital leases and decreased \$3.6 million from December 31, 2012 to December 31, 2013 due to principal payments on bonds and capital leases partially offset by new capital leases.

More detailed information about WCHCC's long-term debt is presented in Note 6 to the financial statements.

**Contacting WCHCC's Financial Management**

This financial report provides a general overview of WCHCC's finances and operations. If you have questions about this report or need additional financial information, please contact Gary F. Brudnicki, Senior Executive Vice President, Westchester County Health Care Corporation, Executive Offices, Valhalla, NY 10595.

**Westchester County Health Care Corporation**  
**Statements of Net Position**  
**December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 207,777,504	\$ 204,420,734
Patient accounts receivable, net	149,399,741	127,674,680
Investments	594,590	593,329
Assets restricted as to use, required for current liabilities	24,112,600	24,090,325
Other current assets	38,645,099	32,991,767
Total current assets	<u>420,529,534</u>	<u>389,770,835</u>
Assets restricted as to use, net	125,140,929	158,294,119
Capital assets, net	409,586,001	318,117,153
Other assets, net	5,476,551	5,444,633
Total assets	<u>960,733,015</u>	<u>871,626,740</u>
<b>Liabilities</b>		
Current liabilities:		
Current portion of long-term debt	19,852,842	18,650,555
Accounts payable and accrued expenses	100,522,030	76,469,754
Accrued salaries and related withholdings	80,492,491	69,053,991
Current portion of estimated liability to third-party payors	27,291,831	11,061,816
Current portion of post retirement health insurance liability	12,961,000	12,164,000
Current portion of estimated self-insurance liability	25,200,000	26,550,000
Current portion of other liabilities	6,439,647	7,069,114
Total current liabilities	<u>272,759,841</u>	<u>221,019,230</u>
Long-term debt, net	474,608,373	435,395,581
Estimated liability to third-party payors, net	40,413,383	43,954,574
Estimated post retirement health insurance liability, net	62,401,000	61,555,000
Estimated self-insurance liability, net	89,413,731	90,046,615
Other liabilities, net	31,367,007	34,078,235
Total liabilities	<u>970,963,335</u>	<u>886,049,235</u>
Commitments and contingencies		
<b>Net Position</b>		
Restricted		
Expendable for capital acquisitions	2,379,565	2,717,305
Expendable for specific operating activities	5,744,066	5,665,000
Total restricted	<u>8,123,631</u>	<u>8,382,305</u>
Unrestricted		
Net investment in capital assets	51,471,019	6,732,192
Unrestricted	(69,824,970)	(29,536,992)
Total unrestricted	<u>(18,353,951)</u>	<u>(22,804,800)</u>
Total net position	<u>\$ (10,230,320)</u>	<u>\$ (14,422,495)</u>

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

**Westchester County Health Care Corporation**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2014 and 2013**

	<u>2014</u>	<u>2013</u>
<b>Operating revenues</b>		
Net patient service revenue (net of provision for bad debts of \$74,665,795 and \$41,894,325 in 2014 and 2013, respectively)	\$ 1,025,476,316	\$ 895,371,943
Other revenue	33,655,109	23,416,354
Total operating revenues	<u>1,059,131,425</u>	<u>918,788,297</u>
<b>Operating expenses</b>		
Salaries and benefits	562,874,363	473,772,966
Supplies and other expenses	414,140,187	361,061,294
Professional liability	8,176,954	13,714,339
Depreciation and amortization	50,427,930	44,105,277
Total operating expenses	<u>1,035,619,434</u>	<u>892,653,876</u>
Operating income	23,511,991	26,134,421
<b>Nonoperating activities</b>		
Interest income	5,726,848	3,756,526
Interest expense	<u>(25,046,664)</u>	<u>(23,621,278)</u>
Increase in net position	4,192,175	6,269,669
<b>Net position</b>		
Beginning of year	<u>(14,422,495)</u>	<u>(20,692,164)</u>
End of year	<u>\$ (10,230,320)</u>	<u>\$ (14,422,495)</u>

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

**Westchester County Health Care Corporation**  
**Statements of Cash Flows**  
**Years Ended December 31, 2014 and 2013**

	<b>2014</b>	<b>2013</b>
<b>Cash flows from operating activities</b>		
Cash received from patients and third-party payors	\$ 1,010,440,079	\$ 903,886,099
Other receipts	27,509,433	34,165,385
Cash paid to employees for salaries and benefits	(553,667,928)	(463,870,746)
Cash paid for supplies and other expenses	(408,156,398)	(371,243,601)
Net cash provided by operating activities	<u>76,125,186</u>	<u>102,937,137</u>
<b>Cash flows from noncapital financing activities</b>		
Proceeds from contributions restricted for specific operating activities	5,044,215	4,509,584
Short-term financing to St. Francis	(15,862,255)	-
Repayment of short-term financing to St. Francis	15,862,255	-
Net cash provided by noncapital financing activities	<u>5,044,215</u>	<u>4,509,584</u>
<b>Cash flows from capital and related financing activities</b>		
Purchase of capital assets	(63,792,393)	(39,375,872)
Purchase of St. Francis assets	(30,852,000)	-
Proceeds from issuance of long-term debt	27,352,000	-
Repayments of principal on long-term debt	(19,867,197)	(16,575,616)
Interest paid	(24,465,328)	(23,365,299)
Net cash used in capital and related financing activities	<u>(111,624,918)</u>	<u>(79,316,787)</u>
<b>Cash flows from investing activities</b>		
Purchase of assets restricted as to use	(5,317,366)	(44,124,150)
Sales of assets restricted as to use	33,404,066	25,808,527
Purchases of investments	(1,261)	(1,797)
Interest received	5,726,848	3,756,526
Net cash provided by (used in) investing activities	<u>33,812,287</u>	<u>(14,560,894)</u>
Net increase in cash and cash equivalents	3,356,770	13,569,040
<b>Cash and cash equivalents</b>		
Beginning of year	204,420,734	190,851,694
End of year	<u>\$ 207,777,504</u>	<u>\$ 204,420,734</u>
<b>Supplemental disclosure of cash flow information</b>		
Change in amounts accrued for purchase of capital assets	<u>\$ 4,847,711</u>	<u>\$ 5,147,474</u>
Assets acquired under capital leases	<u>\$ 4,285,550</u>	<u>\$ 12,960,912</u>
<b>Supplemental disclosure of non-cash information related to St. Francis</b>		
Other assets	\$ 2,405,673	\$ -
Other liabilities	(11,949,631)	-
Capital leases	(28,644,726)	-
	<u>\$ (38,188,684)</u>	<u>\$ -</u>

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

**Westchester County Health Care Corporation**  
**Statements of Cash Flows (continued)**  
**Years Ended December 31, 2014 and 2013**

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	<u>2014</u>	<u>2013</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 23,511,991	\$ 26,134,421
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation and amortization	50,427,930	44,105,277
Provision for bad debts, net	74,665,795	41,894,325
Changes in assets and liabilities		
Patient accounts receivable	(96,390,856)	(54,049,710)
Other assets	(3,210,017)	10,749,031
Accounts payable and accrued expenses	19,204,565	(3,437,698)
Accrued salaries and related withholdings	7,563,435	7,696,220
Estimated liabilities to third-party payors, net	6,688,824	20,669,541
Estimated post-retirement health insurance liability	1,643,000	2,206,000
Estimated self-insurance liability	(1,982,884)	211,664
Other liabilities	(5,996,597)	6,758,066
Net cash provided by operating activities	<u>\$ 76,125,186</u>	<u>\$ 102,937,137</u>

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



# Westchester County Health Care Corporation

## Notes to Financial Statements

### December 31, 2014 and 2013

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#### 1. Organization

The State of New York enacted legislation during January 1997 to authorize the creation of Westchester County Health Care Corporation (WCHCC) in response to the efforts of Westchester County (the County) to provide a form of governance for the Westchester Medical Center (the Medical Center) with the flexibility to cope with a rapidly changing health care environment, to become more competitive, and to provide the County and area residents with quality health care in an efficient and progressive manner. A 15-member board was appointed in July 1997, and WCHCC began operations on January 1, 1998.

On December 17, 2013, Saint Francis Hospital Poughkeepsie, New York and certain related entities, namely, Saint Francis Home Care Services Corporation, SFH Ventures, Inc., Saint Francis Health Care Foundation, Inc., and Saint Francis Hospital Pre-School Program (collectively, St. Francis), declared bankruptcy. This bankruptcy filing included a Sale Motion for an order authorizing and approving, inter alia, the sale of substantially all of St. Francis's assets. The court approved the sale procedures and supplemental sales procedures in December 2013 and February 2014, respectively. On February 24, 2014, the court granted the sale of substantially all of St. Francis's assets and the assumption of certain liabilities to WCHCC as provided in the Asset Purchase Agreement dated February 10, 2014, as well as approved the terms of a Management Services Agreement between WCHCC and St. Francis from that date to the closing of the sale which occurred on May 9, 2014.

WCHCC acquired substantially all of the assets of St. Francis, which consisted of approximately \$69,041,000 in capital assets and approximately \$2,405,000 in other assets. Consideration provided included \$27,352,000 in exchange bonds, \$3,500,000 in cash and the assumption of certain lease obligations of approximately \$28,645,000 which are related to specific real estate and equipment. WCHCC assumed approximately \$11,950,000 of liabilities which include those attendant to certain assumed contracts and leases, liabilities under St. Francis's Medicare Provider Agreements and accrued paid time off. Additionally, WCHCC replaced the debtor-in-possession financing which was secured by patient accounts receivable, in an amount not to exceed \$16,000,000, which was fully repaid by December 31, 2014. WCHCC accounted for the acquisition of St. Francis Hospital in accordance with and simultaneously adopted the provisions of Government Accounting Standards Board Statement No. 69, *Government Combination and Disposals of Government Operations*, which was effective in financial reporting periods beginning after December 15, 2013.

The accompanying financial statements include WCHCC and its component units, entities for which WCHCC is considered to be financially accountable. WCHCC has the following blended component units, all of which, except for Westchester Medical Center Advanced Physician Services, P.C. and Westchester Medical Regional Physician Services, P.C., WCHCC is the sole voting member:

- The Children's Hospital Foundation at WMC, Inc. (Children's Hospital Foundation), the Westchester Medical Center Foundation, Inc. (WMC Foundation) and Mid-Hudson Valley Early Education Center (Early Education Center) are not-for-profit foundations formed under the New York Not-For-Profit Corporation Law exclusively for charitable, scientific, and educational purposes within the meaning of Section 170(c)(2)(B) and 501(c)(3) of the Internal Revenue Code (the Code), for the purposes of supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of WCHCC.

# **Westchester County Health Care Corporation**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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The Children's Hospital Foundation was formed in March 1997. The primary focus of the Children's Hospital Foundation is supporting, maintaining, and otherwise benefiting and being responsive to the needs and objectives of the Maria Fareri Children's Hospital at Westchester Medical Center (MFCH).

The WMC Foundation was formed in July 1999. The primary focus of WMC Foundation is to support, maintain, and otherwise benefit and be responsive to the needs and the objectives of the Medical Center.

The Early Education Center was formed in May 2014. The primary focus of the Early Education Center is to provide day care and childhood early education to children between the ages of eighteen months to five year of age who are diagnosed with autism and other developmental disabilities.

- North Road LHCSA, Inc. (LHCSA) is a not-for-profit entity formed in May 2014 under the New York Not-For-Profit Corporation Law. WCHCC is the sole voting member of LHCSA. LHCSA was formed for the purpose of establishing, operating and maintaining, on a not-for-profit basis, a licensed home care services agency as defined in Article 36 of the Public Health Law of the State of New York.
- WMC New York Inc. (WMC New York) is a not-for-profit entity formed in August 1999 under the New York Not-For-Profit Corporation Law. WMC New York adopted bylaws on December 1, 1999 governing its operations. Effective August 1, 2008, WMC New York became a centralized management company for the two foundations, which includes the employment of the Children's Hospital Foundation and the WMC Foundation employees. In addition, WMC New York is the holder of 100% of the membership shares in WCHCC (Bermuda), Limited (WCHCC Bermuda), a Bermuda company formed to serve as an off-shore captive insurance company for WCHCC pursuant to Bermuda law, the operations of which have been reported in the accompanying financial statements as a blended component unit. On May 9, 2014, Mid-Hudson Valley Staffco, LLC (Mid-Hudson Valley Staffco) was formed as a Professional Employer Organization with WMC New York as the sole member. The purpose of Mid-Hudson Valley Staffco is the provision of professional and non-professional staffing to the WCHCC operations and facilities other than its Valhalla Campus.
- On March 11, 2009, Westchester Medical Center Advanced Physician Services, P.C. (WMC Advanced Physician Services) and on May 9, 2014, Westchester Medical Regional Physician Services, P.C. (WM Regional Physician Services), (collectively, The Physician Services Groups) were organized and incorporated under the New York Business Corporation Law as a for-profit professional corporations controlled by WCHCC through its power to appoint the sole shareholders. The primary focus of the Physician Services Groups is to employ physicians engaged in the profession of medicine.
- NorthEast Provider Solutions, Inc. (NorthEast Provider), formally known as WCHCC Holdings, Inc. (Holdings), is a for-profit corporation organized and existing under the New York Business Corporation Law in December 1997. NorthEast Provider operates The Hearing Works, a service that provides hearing aids and also provides management services to the Physician Services Groups.

The financial position and operating results of the above entities have been recorded in the accompanying financial statements of WCHCC as blended component units.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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All significant inter-entity accounts and transactions have been eliminated.

**2. Significant Accounting Policies**

**Basis of Presentation**

WCHCC is considered a special-purpose government entity engaged only in business-type activities. WCHCC's financial statements are prepared on the accrual basis of accounting using the economic resources measurement focus and are based on accounting principles applicable to governmental units as established by the Governmental Accounting Standards Board (GASB) and the provisions of the American Institute of Certified Public Accountants "*Audit and Accounting Guide, Health Care Entities*," to the extent that they do not conflict with GASB.

For purposes of display, transactions deemed by management to be ongoing, major, or central to the provision of health care services are reported as operating revenues and operating expenses. All other activities are reported as nonoperating activities.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. WCHCC's significant estimates include the allowance for estimated uncollectible patient accounts receivable, estimated third-party contractual allowances, estimated third-party payor receivables and payables, self-insurance liabilities, workers' compensation liabilities and post-retirement health insurance liabilities. Actual results may differ from those estimates.

Revisions to previously recorded estimates of net patient accounts receivable, third party payor liabilities, postretirement health insurance liabilities and malpractice insurance liabilities for the year ended December 31, 2014 and 2013 resulted in an increase in operating income of approximately \$48,118,000 and \$7,163,000, respectively.

**Patient Accounts Receivable and Net Patient Service Revenue**

Accounts receivable from patients and third-party payors at December 31, 2014 and 2013, respectively, was composed of Medicare, 23% and 23%; Medicaid, 29% and 26%; and commercial insurance, health maintenance organizations and others, 48% and 51%, respectively. Patient accounts receivable are recorded net of allowances for estimated uncollectible accounts of approximately \$52,906,000 and \$57,071,000 at December 31, 2014 and 2013, respectively. Most of WCHCC's net patient service revenues are derived from third-party payment programs, including Medicare and Medicaid.

Patient accounts receivable are recorded at the reimbursable or contracted amount and do not bear interest. The allowance for uncollectible accounts is WCHCC's best estimate of the amount of probable credit losses in WCHCC's accounts receivable. WCHCC determines the allowance based on historical write-off experience. WCHCC evaluates its allowance for uncollectible accounts periodically. Past due balances are evaluated individually for collectability. Account balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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Net operating revenues are recognized in the period services are performed. 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 revenue adjustments due to audits, reviews, and investigations. Third-party contractual adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

WCHCC has payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to WCHCC under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

There are various proposals at the Federal and State levels that could, among other things, reduce payment rates and increase managed care penetration, including Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined. WCHCC's cost reports have been audited and finalized by its Medicare fiscal intermediary through December 31, 2008, with the exception of the December 31, 2005 cost report.

**Assets Restricted as to Use**

Assets restricted as to use include the assets of WCHCC Bermuda, the assets of the WMC Foundation and the Children's Hospital Foundation, the proceeds of indebtedness held by the trustees under debt agreements, assets restricted for the purchase of capital assets, and assets restricted by donors.

Donor-restricted assets represent contributions to provide health care services and for capital acquisitions. Resources restricted by donors for plant replacement and expansion are added to the net position-net investment in capital assets balance to the extent expended within the period. Resources restricted by donors or grantors for specific operating activities are reported as other revenue to the extent used within the period. WCHCC generally utilizes donor-restricted resources for expenses incurred before utilizing available unrestricted assets.

**Grants and Contributions**

From time to time, WCHCC receives grants from the local, state and federal government as well as contributions from individuals and private organizations. Revenues from grants and contributions (including contributions of capital assets) are recognized when all eligibility requirements, including time requirements are met. Grants and contributions may be restricted for either specific operating purposes or for capital purposes. Amounts that are unrestricted or that are restricted to a specific operating purpose are reported as other revenue. At December 31, 2014 and 2013, net contribution and grants receivables of approximately \$2,735,000 and \$3,030,000, respectively, are included in the accompanying Statements of Net Position.

**Cash and Cash Equivalents and Investments**

WCHCC's cash, cash equivalents, and investment policies are governed by state statutes. Monies must be deposited in Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the state. Certain funds deposited with banking institutions exceed FDIC limits, however, WCHCC has a collateralization agreement with its depository institutions which management believes reduces the risks related to these balances to a minimal level. WCHCC's cash balances are collateralized under a third party custodian agreement.

# **Westchester County Health Care Corporation**

## **Notes to Financial Statements**

### **December 31, 2014 and 2013**

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At December 31, 2014 and 2013, cash and cash equivalents consist of cash, repurchase agreements and all highly liquid instruments with maturities of three months or less at the date of purchase. 98% and 99% of cash and cash equivalents resides with a significant financial institution at December 31, 2014 and 2013, respectively. Investments consist of certificates of deposit and mutual funds. The certificates of deposit have a remaining maturity at time of purchase of one year or less and are reported at face value.

#### **Inventories**

Inventories, included in other current assets, are primarily prepaid supplies that are carried at the lower of cost, principally on a first-in, first-out (FIFO) basis, or market.

#### **Capital Assets**

In connection with the establishment of the public benefit corporation in 1997, WCHCC recorded buildings, fixed equipment, and land received from the County at book value. Capital assets acquired subsequent to the establishment of the public benefit corporation are recorded at cost. Assets with a purchase price of \$1,000 or more are capitalized and assets with a purchase price of less than \$1,000 are expensed.

Gifts of long-lived assets such as land, buildings, and equipment are recorded at fair value at the date of the contribution as unrestricted support and are excluded from operating income, unless explicit donor stipulations specify how the donated assets must be used.

Depreciation is recorded using the straight-line method over the estimated useful life of each class of depreciable assets. Real estate and equipment under capitalized lease obligation are amortized using the straight-line method over the shorter period of the lease term or the estimated useful life of the leased equipment. Such amortization is included in depreciation and amortization expense in the financial statements. Interest cost, net of interest earned on those funds, incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of construction.

#### **Net Position**

Unrestricted net position has no external restrictions as to use or purpose and is distinguished from net position restricted externally for specific purposes. Restricted net positions relate primarily to Federal and state grants for research and community programs and restricted contributions received from donors by the Children's Hospital Foundation and the WMC Foundation. Net position-net investment in capital assets consists of capital assets, net of accumulated depreciation, and trustee held assets for capital projects reduced by the outstanding balances of debt attributable to those assets.

#### **Concentrations of Credit Risk**

WCHCC grants credit without collateral to its patients, most of whom are local residents and are insured under third-party payor agreements. WCHCC generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of patients' benefits under their health insurance policies.

#### **Charity Care**

WCHCC provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WCHCC does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenue.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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WCHCC maintains records identifying and monitoring the level of charity care it provides. WCHCC estimates the cost of charity care, by applying a ratio of overall costs to gross charges applied to the gross charity care charges during the year ended December 31, 2014, at approximately \$82,325,000, of which approximately \$22,654,000 is the cost of charity care, and for the year ended December 31, 2013, at approximately \$62,462,000, of which approximately \$17,627,000 is the cost of charity care.

**Taxation**

WCHCC is a public benefit corporation of the State of New York and is exempt from Federal income taxes under Section 115 of the Code. Accordingly, no provision for income taxes has been recorded in the accompanying financial statements.

WCHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except WCHCC's for-profit blended component units, WMC Advanced Physician Services, WM Regional Physician Services and NorthEast Provider Solutions. Income taxes of WCHCC's for-profit blended component unit are not material to the financial statements.

**Compensated Absences**

WCHCC employees earn paid time off at varying rates depending on years of service, union affiliation and affiliated entity. Eligible paid time off accumulates and certain days are payable upon separation or retirement. The estimated amount of paid time off payable as separation payments or upon retirement is recorded as part of accrued salaries and related benefits in the accompanying Statements of Net Position.

**Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment if circumstances suggest that there is a significant, unexpected decline in the service utility of a long-lived asset. The service utility of a long-lived asset is the usable capacity that at acquisition was expected to be used to provide service. An assessment of recoverability is performed prior to any write-down of assets and an impairment charge is recorded on those assets for which the estimated fair value is below its carrying amount. No material impairment charges to long-lived assets were recorded for the years ended December 31, 2014 and 2013.

**Pending Accounting Pronouncements**

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions— an amendment of GASB Statement No. 27*. The Statement improves the accounting and financial reporting by state and local governments for pensions.

Upon adoption, WCHCC will be required to recognize a liability for its proportionate share of the net pension liability of the New York State and Local Retirement System. WCHCC proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined which at this time is covered payroll.

WCHCC will be required to continue recognizing pension expense and begin reporting deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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This Statement requires that notes to financial statements of WCHCC include descriptive information about the pension plans through which the pensions are provided and identify the discount rate and assumptions made in the measurement of their proportionate shares of net pension liabilities. This Statement also requires WCHCC to present in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

The provisions of the Statement are effective for WCHCC's year ending December 31, 2015. WCHCC is in the process of evaluating the impact this statement will have on its financial position, the results of its operations, and the changes in its net position.

**3. Deposits and Investments**

Deposits and investments consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Description</b>		
Bank deposits	\$ 222,021,540	\$ 216,292,392
Certificates of deposit	1,189,180	1,186,658
Mutual funds	32,773	30,533
Equities	28,384,718	22,899,979
US Treasury securities	64,426,227	104,749,525
Corporate bonds	38,752,538	39,294,958
	<u>\$ 354,806,976</u>	<u>\$ 384,454,045</u>
<b>Description on Balance Sheet</b>		
Cash and cash equivalents	\$ 207,777,504	\$ 204,420,734
Investments	594,590	593,329
Assets restricted as to use - current portion	23,197,803	23,263,151
Assets restricted as to use - noncurrent portion	123,237,079	156,176,831
	<u>\$ 354,806,976</u>	<u>\$ 384,454,045</u>
<b>Investment Maturities</b>		
One year or less	\$ 44,167,778	\$ 72,637,564
After one through five years	48,977,981	57,423,077
After five through ten years	10,033,006	13,983,842
	<u>\$ 103,178,765</u>	<u>\$ 144,044,483</u>

Estimated fair values have been determined by WCHCC using appropriate valuation methodologies by third parties, quoted market prices, and information available to management.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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*Interest Rate Risk* - WCHCC invests in fixed-rate debt and US Treasury securities with approximately one- to ten year maturities. Interest rate risk is limited by the short-term nature of these investments.

*Credit Risk* - WCHCC investments in U.S. Treasury securities carry the explicit guarantee of the U.S. government. The corporate bonds are rated A- to AA+ and the U.S. Treasury securities are rated AA+ by the Standards & Poor's rating agency.

**4. Assets Restricted as to Use**

Assets restricted as to use consist of the following at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
<b>Time and purpose restricted</b>		
The Westchester Medical Center Foundation, Inc.	\$ 2,649,803	\$ 2,982,109
The Children's Hospital Foundation at WMC, Inc.	5,473,828	5,400,196
	<u>8,123,631</u>	<u>8,382,305</u>
<b>Under debt agreements</b>		
Debt service reserve funds	31,787,105	31,787,105
Construction funds	-	29,773,452
Other	893,833	1,068,459
	<u>32,680,938</u>	<u>62,629,016</u>
<b>Self-insurance funds</b>		
Insurance captive investments	108,448,960	111,373,123
	149,253,529	182,384,444
Less portion required for current liabilities	24,112,600	24,090,325
Assets restricted as to use, net of current portion	<u>\$ 125,140,929</u>	<u>\$ 158,294,119</u>

WCHCC's assets restricted as to use are reported at fair value, as described in Note 3. At December 31, 2014 and 2013, the composition of assets restricted as to use consisted of the following:

	<u>2014</u>	<u>2013</u>
Cash and cash equivalents	\$ 14,275,802	\$ 11,901,249
US Treasury securities	64,426,227	104,749,525
Corporate bonds	38,752,538	39,294,958
Equities	28,384,718	22,899,979
Other	3,414,244	3,538,733
	<u>\$ 149,253,529</u>	<u>\$ 182,384,444</u>

WCHCC's assets restricted as to use reported under debt agreements represent insured or registered funds, or securities held by WCHCC or its agent in WCHCC's name.



**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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**5. Capital Assets**

Capital assets are summarized as follows at December 31, 2014 and 2013:

	<u>2014</u>	<u>2013</u>	<u>Estimated Useful</u>
Land and land improvements	\$ 10,762,045	\$ 8,776,978	10 years
Buildings and building improvements	476,872,654	424,268,699	5-40 years
Equipment	<u>517,577,779</u>	<u>439,591,731</u>	5-20 years
	1,005,212,478	872,637,408	
Less accumulated depreciation and amortization	<u>618,707,875</u>	<u>568,210,385</u>	
	386,504,603	304,427,023	
Construction in progress	<u>23,081,398</u>	<u>13,690,130</u>	
Capital assets, net	<u>\$ 409,586,001</u>	<u>\$ 318,117,153</u>	

Included in land and land improvements is approximately \$1,587,000 and \$313,000 of land that is not depreciated as of December 31, 2014 and 2013, respectively. Construction in progress relates to various capital projects. The additional costs to complete such projects are anticipated to aggregate approximately \$14,836,000 as of December 31, 2014.

Included in capital assets is capitalized interest, net of accumulated amortization, of approximately \$12,844,000 and \$13,408,000 as of December 31, 2014 and 2013, respectively. The net book value of capital leases held under lease obligations, included in equipment, is approximately \$48,651,000 and \$23,450,000 as of December 31, 2014 and 2013, respectively.

Capital asset activity for the years ended December 31, 2014 and 2013 was as follows:

	<u>Land and Land</u>	<u>Buildings and</u>		<u>Construction</u>	
	<u>Improvements</u>	<u>Building</u>	<u>Equipment</u>	<u>in Progress</u>	<u>Total</u>
<b>December 31, 2012 balance</b>	\$ 8,500,484	\$ 407,110,522	\$ 395,556,883	\$ 17,765,291	\$ 828,933,180
Acquisitions, net of transfers	276,494	17,238,504	44,068,483	(4,075,161)	57,508,320
Retirements	-	(80,327)	(33,635)	-	(113,962)
<b>December 31, 2013 balance</b>	<u>8,776,978</u>	<u>424,268,699</u>	<u>439,591,731</u>	<u>13,690,130</u>	<u>886,327,538</u>
Acquisitions, net of transfers	1,985,067	52,603,955	77,986,048	9,391,268	141,966,338
Retirements	-	-	-	-	-
<b>December 31, 2014 balance</b>	<u>\$ 10,762,045</u>	<u>\$ 476,872,654</u>	<u>\$ 517,577,779</u>	<u>\$ 23,081,398</u>	<u>\$ 1,028,293,876</u>

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

Related information on accumulated depreciation and amortization for the years ended December 31, 2014 and 2013 was as follows:

	<u>Land and Land</u> <u>Improvements</u>	<u>Buildings and</u> <u>Building</u> <u>Improvements</u>	<u>Equipment</u>	<u>Total</u>
<b>December 31, 2012 balance</b>	\$ 7,181,377	\$ 220,855,514	\$ 296,088,557	\$ 524,125,448
Depreciation and amortization expense	217,514	17,279,710	26,677,613	44,174,837
Retirements	-	(58,948)	(30,952)	(89,900)
<b>December 31, 2013 balance</b>	7,398,891	238,076,276	322,735,218	568,210,385
Depreciation and amortization expense	115,774	18,800,001	31,581,715	50,497,490
Retirements	-	-	-	-
<b>December 31, 2014 balance</b>	<u>\$ 7,514,665</u>	<u>\$ 256,876,277</u>	<u>\$ 354,316,933</u>	<u>\$ 618,707,875</u>

**6. Long-Term Debt**

Long-term debt activity as of December 31, 2014 and 2013 was as follows:

	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31,</u> <u>2014</u>	<u>Amounts due</u> <u>Within</u> <u>One Year</u>
2000 Series Bonds (a)	\$ 108,170,000	\$ -	\$ -	\$ 108,170,000	\$ -
2010 Series Bonds (b)	256,940,000	-	(9,815,000)	247,125,000	10,215,000
2011 Series Bonds (c)	64,080,000	-	(100,000)	63,980,000	100,000
2014 Series Bonds (d)	-	27,352,000	-	27,352,000	411,000
Capital leases (e)	24,856,136	32,930,276	(9,952,197)	47,834,215	9,126,842
	<u>\$ 454,046,136</u>	<u>\$ 60,282,276</u>	<u>\$ (19,867,197)</u>	<u>\$ 494,461,215</u>	<u>\$ 19,852,842</u>

	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Repayments</u>	<u>December 31,</u> <u>2013</u>	<u>Amounts due</u> <u>Within</u> <u>One Year</u>
2000 Series Bonds (a)	\$ 108,170,000	\$ -	\$ -	\$ 108,170,000	\$ -
2010 Series Bonds (b)	266,295,000	-	(9,355,000)	256,940,000	9,815,000
2011 Series Bonds (c)	64,180,000	-	(100,000)	64,080,000	100,000
Capital leases (e)	19,015,840	12,960,912	(7,120,616)	24,856,136	8,735,555
	<u>\$ 457,660,840</u>	<u>\$ 12,960,912</u>	<u>\$ (16,575,616)</u>	<u>\$ 454,046,136</u>	<u>\$ 18,650,555</u>

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- a. In 2000, WCHCC participated in a bond offering dated November 1, 2000 relating to \$255,100,000 Westchester County Health Care Corporation Series 2000 Revenue Bonds consisting of \$113,240,000 Series 2000A Senior Lien with interest varying from 5.875% to 6% and maturing on November 1, 2025; and November 1, 2030, \$91,310,000 Series 2000B Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% and maturing on November 1, 2017, November 1, 2020 and November 1, 2030; \$47,575,000 Series 2000C-1 Tax Exempt – Subordinate Lien (Westchester County Guaranteed) with interest varying from 5% to 5.375% maturing on November 1, 2019; and \$2,975,000 Par Adjusted Rate Securities Series 2000C-2 Subordinate Lien (Westchester County Guaranteed) maturing on November 1, 2019. The proceeds of the Series 2000 Bonds, together with available funds, were used to (i) finance the construction of the Children’s Hospital and related projects at the Medical Center (ii) refinance indebtedness of WCHCC to the County (iii) finance certain routine capital projects at WCHCC facilities; (iv) reimburse WCHCC for costs incurred in the acquisition of an on-site parking facility (v) fund, from the proceeds of the Series 2000 Senior Bonds, separate debt service reserve fund accounts for the Series 2000 Senior Bonds and Series 2000 Subordinate Bonds and (vi) pay costs related to the issuance of the aforementioned bonds.

In December 2011, WCHCC participated in a bond remarketing of the Series 2000A Bonds following a call for purchase implemented pursuant to the Master Trust Indenture (MTI). At this time the Westchester County guarantee on the Series 2000A Bonds was eliminated.

WCHCC has granted a collateral interest in its gross receipts as well as pledged all funds and accounts established with respect to the Series 2000 Bonds, including a debt service reserve fund of approximately \$10,817,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds MTI between WCHCC and the Bank of New York as the Master Trustee (subsequently changed to Deutsche Bank as the Master Trustee), the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2000 Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

The following is a schedule by years of future principal and interest payments on the Series 2000A Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 5,313,900	\$ 5,313,900
2016	-	5,313,900	5,313,900
2017	-	5,313,900	5,313,900
2018	-	5,313,900	5,313,900
2019	-	5,313,900	5,313,900
2020-2024	39,620,000	23,760,350	63,380,350
2025-2029	57,375,000	11,308,500	68,683,500
2030	11,175,000	558,750	11,733,750
	<u>\$ 108,170,000</u>	<u>\$ 62,197,100</u>	<u>\$ 170,367,100</u>

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Interest expense relating to the Series 2000 Revenue Bonds was approximately \$5,313,900 in 2014 and 2013.

- b. In December 2010, WCHCC participated in a bond offering dated November 1, 2010 relating to \$226,110,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010, Senior Lien consisting of \$37,390,000 Series 2010A (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% and maturing on November 1, 2040; \$124,860,000 Series 2010B (Tax-Exempt) with interest rates varying from 4.0% to 6.125% and maturing November 1, 2011 through November 1, 2020, November 1, 2030 and November 1, 2037; \$31,450,000 Series 2010C-1 (Federally Taxable – Direct Payment – Build America Bonds) with an interest rate of 8.572% maturing on November 1, 2040; and \$32,410,000 Series 2010C-2 (Tax Exempt) with an interest rate of 6.125% maturing on November 1, 2037.

The following is a schedule by year of future principal and interest payments on the Series 2010 Bonds:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 10,215,000	\$ 12,562,446	\$ 22,777,446
2016	10,720,000	12,051,696	22,771,696
2017	11,250,000	11,518,321	22,768,321
2018	11,825,000	10,955,821	22,780,821
2019	10,995,000	10,377,321	21,372,321
2020-2024	11,555,000	46,915,705	58,470,705
2025-2029	5,890,000	45,786,418	51,676,418
2030-2034	5,230,000	43,574,668	48,804,668
2035-2039	90,795,000	31,423,313	122,218,313
2040	21,370,000	1,831,836	23,201,836
	<u>\$ 189,845,000</u>	<u>\$ 226,997,545</u>	<u>\$ 416,842,545</u>

In December 2010, WCHCC also participated in a bond offering dated November 1, 2010 relating to \$57,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2010D, Senior Lien (Taxable) bearing interest under a Weekly Interest Rate, such rate being 0.08% and 0.12% at December 31, 2014 and 2013, respectively, maturing November 1, 2034. The 2010D series consist of variable rate demand bonds (VRDBs). WCHCC has entered into an irrevocable letter of credit (LOC) with a financial institution to secure bond repayment and interest obligations associated with its VRDBs. If the VRDBs are unable to be remarketed, the trustee for the VRDB will request purchase under the LOC scheduled repayment terms. Based on the existing terms of the underlying LOC, the LOC will expire on December 21, 2017.

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The following is a schedule by year of future principal and interest payments on the Series 2010D Bonds, assuming an interest rate of 2%:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ -	\$ 1,145,600	\$ 1,145,600
2016	-	1,146,389	1,146,389
2017	-	1,144,811	1,144,811
2018	-	1,145,600	1,145,600
2019	-	1,145,600	1,145,600
2020-2024	-	5,728,789	5,728,789
2025-2029	-	5,727,211	5,727,211
2030-2034	57,280,000	4,010,199	61,290,199
	<u>\$ 57,280,000</u>	<u>\$ 21,194,199</u>	<u>\$ 78,474,199</u>

The proceeds of the Series 2010 Bonds and Series 2010D Bonds, together with available funds, were used to: (i) finance certain capital projects at WCHCC's facilities that require certificates of need from the Department of Health of the State of New York and (ii) pay costs related to the issuance of the Series 2010A Bonds and Series 2010D Bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2010 Bonds and Series 2010D Bonds, including a debt service reserve fund of approximately \$18,697,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2010 Bonds and Series 2010D Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2010 Bonds and Series 2010D Bonds was approximately \$13,015,000 and \$13,430,000 in 2014 and 2013, respectively.

- c. In December 2011, WCHCC participated in a bond offering dated November 1, 2011 relating to \$64,280,000 Westchester County Health Care Corporation Revenue Bonds, Series 2011, Senior Lien consisting of \$48,985,000 Series 2011A (Tax-Exempt) with an interest rates varying from 2.0% to 5.32% and maturing November 1, 2012 through November 1, 2026, November 1, 2032 and November 1, 2041 and \$15,295,000 Series 2011B (Tax-Exempt) with an interest rate of 5.32% and maturing November 1, 2041.

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The following is a schedule by year of future principal and interest payments on the Series 2011:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 100,000	\$ 3,114,131	\$ 3,214,131
2016	100,000	3,111,131	3,211,131
2017	100,000	3,108,131	3,208,131
2018	100,000	3,105,131	3,205,131
2019	1,010,000	3,101,881	4,111,881
2020-2024	11,000,000	14,380,206	25,380,206
2025-2029	13,655,000	11,726,769	25,381,769
2030-2034	16,890,000	7,782,988	24,672,988
2035-2039	14,250,000	4,000,319	18,250,319
2040-2041	6,775,000	525,313	7,300,313
	<u>\$ 63,980,000</u>	<u>\$ 53,956,000</u>	<u>\$ 117,936,000</u>

The proceeds of the Series 2011 Bonds, together with available funds, were used to (i) finance certain capital projects at WCHCC facilities; (ii) reimburse WCHCC for prior capital expenditures; (iii) fund a portion of the debt service reserve fund accounts for the Series 2011 Bonds and (iv) pay costs related to the issuance of the aforementioned bonds.

WCHCC has granted a collateral interest in its gross receipts, as well as pledged all funds and accounts established with respect to the Series 2011 Bonds, including a debt service reserve fund of approximately \$2,273,000 as of December 31, 2014 and 2013 (see Note 4).

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2011 Bonds. For the years ended December 31, 2014 and 2013, WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense, net of capitalized interest, relating to the Series 2011 Bonds was approximately \$2,866,000 and \$2,996,000 in 2014 and 2013, respectively.

- d. In May 2014, WCHCC participated in a bond offering dated May 9, 2014 relating to \$27,352,000 Westchester County Health Care Corporation Revenue Bonds, Series 2014A, Senior Lien with an interest rate of 5% and maturing November 1, 2044.

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The following is a schedule by year of future principal and interest payments on the Series 2014:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 411,000	\$ 1,367,600	\$ 1,778,600
2016	432,000	1,347,050	1,779,050
2017	454,000	1,325,450	1,779,450
2018	477,000	1,302,750	1,779,750
2019	501,000	1,278,900	1,779,900
2020-2024	2,903,000	5,993,100	8,896,100
2025-2029	3,706,000	5,190,950	8,896,950
2030-2034	4,730,000	4,167,000	8,897,000
2035-2039	6,034,000	2,860,450	8,894,450
2040	7,704,000	1,193,100	8,897,100
	<u>\$ 27,352,000</u>	<u>\$ 26,026,350</u>	<u>\$ 53,378,350</u>

The proceeds of the Series 2014 Bonds, together with available funds, were used for the acquisition of substantially all the assets of St. Francis through the exchange of the Series 2014A Bonds for certain obligations issued by the Dutchess County Industrial Development Agency for the benefit of St. Francis.

Under Section 6.13(a) of the Series 2000 Bonds Master Trust Indenture (MTI) between WCHCC and Deutsche Bank as the Master Trustee, the Obligated Group, which is defined as the operating unit of Westchester County Health Care Corporation (the Medical Center), must maintain a Long-Term Debt Service Coverage Ratio, tested on a semiannual basis in accordance with the provisions of the MTI, of at least 1.25 for the Series 2014 Bonds. For the years ended December 31, 2014 WCHCC met the required Long-Term Debt Service Coverage Ratio.

Interest expense relating to the Series 2014 Bonds was approximately \$881,000 in 2014.

- e. WCHCC has entered into certain capital lease agreements that are collateralized by the underlying equipment or real estate and bear interest at rates between 1.82% and 6.49%.

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The future minimum lease payments under the capital lease obligations, together with the present value of the minimum lease payments as of December 31, 2014, are as follows:

<b>Year</b>	<b>Amount</b>
2015	\$ 10,771,561
2016	6,996,980
2017	5,840,019
2018	4,315,962
2019	1,957,120
Thereafter	<u>23,916,882</u>
	53,798,524
Less: Amount representing interest	<u>5,964,309</u>
Present value of net minimum lease payments	47,834,215
Less: Current portion	<u>9,126,842</u>
	<u>\$ 38,707,373</u>

The interest expense under these leases was approximately \$1,665,000 and \$876,000 in 2014 and 2013, respectively.

**7. Retirement Plans**

Certain WCHCC employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multiple public employer retirement system. Obligations of employers to contribute and benefits provided to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). The System offers a wide range of plans and benefits, which are related to years of service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. Benefits generally vest after five or ten years of credited service.

The NYSRSSL provides that all participating employers are jointly and severally liable for any actuarially unfunded amounts. Such amounts are collected through annual billings to all participating employers. The System is noncontributory except for employees who joined the System after July 27, 1976; such employees contribute 3% of their salary for the first ten years of their service. Employees who joined the System after January 1, 2010 contribute 3% of their salary for all years of public service. Employees who joined the system after April 1, 2012 contribute at a rate based on the employees' annual compensation for all years of public service. Charges from the System cover April 1 to March 31 of the year in which the payment is due, which was February 1, 2013 for the 2012-2013 State plan year and February 1, 2012 for the 2011-2012 State plan year. Amounts are accrued in WCHCC's Statements of Net Position by prorating charges incurred in WCHCC's fiscal year. The amount outstanding for current and prior year contributions as of December 31, 2014 and 2013 was approximately \$64,318,000 and \$56,532,000, respectively, and is included in accrued salaries and related withholdings and other long term liabilities in the accompanying Statements of Net Position.



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NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 3.67 percent (2014) and 3.00 percent (2013) interest, the portion of their annual bill that exceeded 12.5 percent and 11.5 percent of payroll for its 2014 and 2013 pension bills respectively. The following is the activity of deferred pension contributions which is included in other liabilities for the years ended December 31, 2014 and 2013:

	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2014</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Deferred contributions	\$ 35,318,873	\$ 1,941,328	\$ (3,685,462)	\$ 33,574,739	\$ 4,486,695

	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2013</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Deferred contributions	\$ 28,304,288	\$ 9,362,522	\$ (2,347,937)	\$ 35,318,873	\$ 3,685,462

WCHCC's annual plan cost amounted to approximately \$39,755,000, \$42,224,000 and \$41,470,000 in 2014, 2013 and 2012, respectively, based on a percentage (which varies with length of service) of the salaries of covered employees.

The System issues a financial report that includes financial statements and required supplementary information, which may be obtained by submitting a request in writing to New York State and Local Retirement System, Retirement Communication Office, 110 State Street, Albany, NY 12244-0001.

WCHCC also provides a 401(k) Plan (the Plan) for certain employees of Mid-Hudson Valley Staffco and WM Regional Physician Services. The Plan is a defined contribution plan open to eligible participants that have completed 1,000 or more hours of service per calendar year and have attained the age of 21 years. Employees are eligible to contribute to the Plan upon hire and vest immediately. Employer contributions begin upon the employee reaching two years of service. Eligible employees will receive employer contributions of 1% of gross salary basic contribution plus an additional 1% of gross salary matching contribution. Employees vest in employer contributions immediately upon earning the contributions. As of December 31, 2014 there were approximately 1,000 participants in the Plan. For the year ended December 31, 2014 the Plan had total payroll expense of approximately \$53,724,000 of which approximately \$46,702,000 was covered by the Plan. Total employer contributions to the Plan for December 31, 2014 were approximately \$486,000.

**8. Other Postemployment Benefits**

WCHCC provides Other Postemployment Benefits (OPEB) that provides basic medical and hospitalization plan coverage to eligible retirees through a single employer defined benefit plan. The plan does not issue its own stand-alone financial statements. Eligible retirees may only be covered under the indemnity plan of WCHCC. To qualify, retirees must (i) have at least five years of paid service with WCHCC (service prior to January 1, 1998 with the County counts towards the five-year requirement) and (ii) be eligible to receive a retirement allowance from a retirement system administered by the State of New York or one of its civil divisions. Employees hired on or after January 1, 2007 require 20 years of service to qualify for a post-retirement health benefit. Individual coverage is provided to retirees at no cost. Subsequent to December 31, 2012, certain retirees are required to contribute to the cost of this

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coverage. Retirees may elect family coverage at a cost of 20% of the difference between the premium equivalent cost of family and individual coverage. Currently, 76% of the participants have elected individual coverage.

WCHCC's annual OPEB cost is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of WCHCC's annual OPEB cost for the years ended December 31, 2014 and 2013, the amount actually contributed to the plan, and changes in WCHCC's net OPEB obligation.

	<u>2014</u>	<u>2013</u>
Annual OPEB cost:		
Annual required contribution (ARC):		
Normal cost	\$ 4,200,000	\$ 10,361,000
Amortization payment	11,355,000	9,101,000
Interest cost	621,000	779,000
Total	<u>16,176,000</u>	<u>20,241,000</u>
ARC adjustment	(2,763,000)	(6,800,000)
Interest on net OPEB obligation	<u>2,893,000</u>	<u>2,804,000</u>
Annual OPEB cost	<u>\$ 16,306,000</u>	<u>\$ 16,245,000</u>
Net OPEB obligation:		
Annual required contribution	\$ 16,306,000	\$ 16,245,000
Amortization of change in estimate	(1,401,000)	(1,401,000)
Contributions made	<u>(13,262,000)</u>	<u>(12,638,000)</u>
Increase in OPEB obligation	1,643,000	2,206,000
Net OPEB obligation - beginning of year	<u>73,719,000</u>	<u>71,513,000</u>
Net OPEB obligation - end of year	<u>\$ 75,362,000</u>	<u>\$ 73,719,000</u>
Percentage of annual OPEB:		
Cost contributed	81.33 %	77.80 %

Annual OPEB cost, contributions made and percentage of costs contributed for the year ended December 31, 2012 were \$16,573,000, \$9,627,000 and 58.09%, respectively.

As of January 1, 2014 and 2013, the plan was unfunded. The unfunded actuarial accrued liability (UAAL) as of December 31, 2014 and 2013 is \$300,700,000 and \$280,100,000, respectively. The covered payroll (annual payroll of active employees covered by the plan) and the ratio of the UAAL to the covered payroll as of December 31, 2014 and 2013 is \$297,100,000 and 165.8% and \$276,800,000 and 158.4%, respectively. (See Required Supplementary Information).

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the

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funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. WCHCC's most recent actuarial evaluation was performed on January 1, 2014 and reported an actuarial accrued liability of \$297,100,000 which was not funded.

Projection of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the 2014 actuarial valuation, the entry age normal actuarial cost method was used. For the 2013 actuarial valuation, the frozen entry age actuarial cost method was used. The UAAL is amortized over a closed layered 30 year period using a level percentage of payroll. For 2014, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.0% for pre-65 and 5.3% for post-65, grading over ten years to an ultimate rate of 3.7% for pre-65 and 3.8% for post-65. For 2013, the actuarial assumptions include a 4% discount rate, and an annual initial health trend rate of 8.2% for pre-65 and 4.5% for post-65, grading over ten years to an ultimate rate of 3.8% for pre-65 and 4.0% for post-65.

**9. Self-Insurance Liability**

The following is the activity of the self-insurance liability for the years ended December 31, 2014 and 2013:

	<b>December 31, 2013</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2014</b>	<b>Amounts Due Within One Year</b>
Workers' compensation					
self-insurance (a)	\$ 20,310,000	\$ 7,639,351	\$ (6,469,351)	\$ 21,480,000	\$ 4,500,000
Malpractice self-insurance (b)	89,811,615	6,666,850	(9,119,734)	87,358,731	17,000,000
Health insurance (c)	4,700,000	44,475,936	(45,475,936)	3,700,000	3,700,000
Other self-insurance (d)	1,775,000	450,000	(150,000)	2,075,000	-
	<u>\$ 116,596,615</u>	<u>\$ 59,232,137</u>	<u>\$ (61,215,021)</u>	<u>\$ 114,613,731</u>	<u>\$ 25,200,000</u>
					<b>Amounts Due Within One Year</b>
	<b>December 31, 2012</b>	<b>Additions</b>	<b>Reductions</b>	<b>December 31, 2013</b>	
Workers' compensation					
self-insurance (a)	\$ 20,035,301	\$ 6,865,756	\$ (6,591,057)	\$ 20,310,000	\$ 4,425,000
Malpractice self-insurance (b)	90,709,650	12,626,530	(13,524,565)	89,811,615	17,000,000
Health insurance (c)	4,700,000	35,702,823	(35,702,823)	4,700,000	4,700,000
Other self-insurance (d)	940,000	1,475,000	(640,000)	1,775,000	425,000
	<u>\$ 116,384,951</u>	<u>\$ 56,670,109</u>	<u>\$ (56,458,445)</u>	<u>\$ 116,596,615</u>	<u>\$ 26,550,000</u>

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- a. Pursuant to Article 11 of the Transition Agreement between the County and WCHCC, the County transferred a portion of the assets in the County’s 6-j Self-Insurance Reserve Fund (renamed the Workers’ Compensation Reserve Trust by WCHCC) to WCHCC and WCHCC contracted to indemnify the County for the corresponding workers’ compensation liability for claims arising out of incidents involving hospital operations that occurred prior to January 1, 1998, when WCHCC became a public benefit corporation.

WCHCC’s workers’ compensation liability consists of a self-insurance fund and coverage from a commercial insurance carrier under a claims-made basis. During the period June 1, 1999 through June 1, 2002, excess insurance coverage was purchased that attached at \$250,000 per occurrence with \$5,000,000 in annual aggregate coverage. For the period June 1, 2002 through June 1, 2003, excess insurance coverage was purchased that attached at \$300,000 per occurrence with \$5,000,000 in annual aggregate coverage. Prior to June 1, 1999 and from June 1, 2003 to June 30, 2008, WCHCC did not purchase excess insurance.

Effective July 1, 2008, excess insurance coverage was purchased that attached at \$750,000 per occurrence with \$1,000,000 in annual aggregate coverage. As part of WCHCC’s workers’ compensation self-insurance plan, WCHCC obtains a semi-annual actuarial valuation to determine its self-insurance liabilities, including amounts for claims incurred but not reported. Such valuation is based on WCHCC’s specific and industry-wide data.

The following represents information as it relates to the workers’ compensation self-insurance plan as of December 31:

	<u>2014</u>	<u>2013</u>
Gross self-insurance liability	\$ 22,214,000	\$ 21,053,000
Present value of self-insurance liability	21,480,000	20,310,000
Discount factor	3.5%	3.5%

- b. Effective January 1, 1998, WCHCC commenced operations of WCHCC Bermuda, a captive insurance company. WCHCC Bermuda has provided the hospital professional liability insurance (HPL) and general liability insurance (GL) for WCHCC since January 1, 1998 and has insured and/or reinsured the physicians and surgeons professional liability (PPL) through December 31, 2007.

Effective January 1, 2008, approximately 300 private attending physicians, many of whom had previously been provided malpractice insurance coverage through WCHCC Bermuda, obtained coverage with a commercial insurance company - Academic Health Professionals Insurance Association (Academic Health). WCHCC Bermuda will continue to provide insurance coverage for WCHCC and certain of its employed physicians. In addition, an excess insurance policy was purchased. This excess liability insurance policy attaches above the HPL and GL for the Medical Center’s employed physicians and above the first layer of excess of those physicians insured by Academic Health. As of January 1, 2010, excess insurance will no longer attach above the first layer of excess of those physicians insured by Academic Health.

Outstanding projected liabilities are composed of estimates of the ultimate case value (indemnity and expenses) established by an independent case adjuster, plus a provision for losses incurred, but not reported, based on the recommendations of an independent actuary using historical and industry

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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data. WCHCC Bermuda's actuarial liabilities have been discounted at 3.5% at December 31, 2014 and 2013.

In the normal course of operations WCHCC Bermuda's bankers had issued a letters of credit in the amount of \$11,697,500 as of December 31, 2013 in favor of a ceding insurance company, as collateral for WCHCC Bermuda's reinsurance obligations. At December 31, 2013 a similar cash amount has been pledged as collateral for these letters of credit. The letters of credit were cancelled during 2014 and the investments were released from collateral restrictions.

WCHCC Bermuda is required by its license to maintain capital and surplus greater than a minimum statutory amount determined as the greater of a percentage of outstanding losses or a given fraction of net written premiums. At December 31, 2014 and 2013, WCHCC Bermuda is required to maintain a minimum statutory capital and surplus of \$8,700,000. As of December 31, 2014 and 2013, actual statutory capital and surplus was approximately \$43,450,000 and \$28,435,000, respectively.

The malpractice self-insurance liabilities for the period 1998 to 2012 include an actuarially determined liability recorded by WCHCC Bermuda on a claims-made basis and an actuarially determined liability accrued by the Medical Center for claims incurred but not reported. Such valuations are based on WCHCC's specific and industry-wide data and have been discounted at 3.5% at December 31, 2014 and 2013.

HPL coverage is provided on an occurrence basis with coverage of \$12,000,000 in 2014 and 2013, for each and every claim with no aggregate limit for the Medical Center and its employed physicians. The excess liability insurance policy attaches above the HPL and GL for the Medical Center and above each employed physician.

- c. WCHCC is self-insured for health insurance for all employees. Claims which have been incurred and incurred but not reported represent a liability to WCHCC at December 31, 2014 and 2013 and as such, a liability has been included in the accompanying Statement of Net Position.
- d. Professional and general liability claims have been asserted against WCHCC by various claimants. The claims are in various stages of processing and some may ultimately be brought to trial. The outcome of these actions cannot be predicted with certainty by management or by legal counsel to WCHCC or by the respective insurance companies handling such matters. There are known incidents that may result in the assertion of additional claims, and such other claims may arise. It is the opinion of management, in consultation with WCHCC's legal counsel, that the final disposition of such claims will not have a material adverse effect on WCHCC's financial position, results of operations, or liquidity.

**10. Services and Utilities Provided by the County of Westchester**

WCHCC purchases certain services and utilities from the County. For the years ended December 31, 2014 and 2013, the County charged WCHCC for direct costs incurred in providing such services and utilities. The services provided to WCHCC are contracted with the Department of Public Works, the Department of Laboratories, Information Technology Department, and the County Road Maintenance Department.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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Costs were comprised of the following for the years ended December 31:

	<u>2014</u>	<u>2013</u>
Department of Public Works and maintenance service	\$ 8,898,894	\$ 7,107,098
General administration services	40,224	40,260
Other professional services	771,765	807,758
	<u>\$ 9,710,883</u>	<u>\$ 7,955,116</u>

The above costs are included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

**11. Affiliation Agreement**

WCHCC has an affiliation agreement with New York Medical College (the College), under the terms of which WCHCC pays the College for salaries and fringe benefits for supervisory physicians' services. For the years ended December 31, 2014 and 2013, the College was reimbursed approximately \$21,251,000 and \$25,537,000, respectively, which is included in supplies and other expenses in the accompanying Statements of Revenues, Expenses, and Changes in Net Position.

**12. Operating Leases**

WCHCC leases various equipment and facilities under operating leases expiring at various dates.

The following is a schedule by year for the next five years of future minimum lease payments and sublease rental income under noncancelable operating leases as of December 31, 2014 that have initial or remaining lease terms in excess of one year:

	<u>Rent Expense</u>	<u>Rent Income</u>
2015	\$ 14,751,000	\$ 1,779,000
2016	12,054,000	1,459,000
2017	4,263,000	1,293,000
2018	3,222,000	802,000
2019	1,552,000	790,000

Total rental expense in 2014 and 2013 for all operating leases was approximately \$17,654,000 and \$15,063,000, respectively. Total rental income in 2014 and 2013 for all operating leases was approximately \$2,530,000 and \$2,237,000, respectively.

**13. Transition/Cooperation Agreements**

In 1997, the State adopted legislation that created WCHCC as a New York public benefit corporation effective January 1, 1998. At that time, the facilities and operations of WCHCC were transferred from the County to WCHCC pursuant to a long-term lease and operating agreement. Subsequently, a Transition Agreement and an Amended and Restated Lease Agreement (Lease) were affected. The Lease is a 60-year real property lease for land and facilities with an option for extension.

The Transition Agreement was in effect from January 1, 1998 through December 31, 2007.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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Effective January 1, 2008, the County and WCHCC replaced the Transition Agreement with the Cooperation Agreement, which is a ten years agreement that may be terminated by either party upon ninety days' notice.

The Cooperation Agreement addresses several legacy issues between WCHCC and the County. For example, WCHCC is required to achieve certain financial targets and provide regular financial reports to the County. The Cooperation Agreement also allows for credit support and additional guarantees of WCHCC's long-term debt at the discretion of the County, of which there was none as of December 31, 2014 and 2013.

**14. Commitment and Contingencies**

WCHCC has agreements with third-party payors that provide for payments to WCHCC at amounts different from its established rates. The following is the activity of estimated third-party-payor liabilities for the years ended December 31, 2014 and 2013:

	<u>December 31,</u> <u>2013</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2014</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Estimated third-party payor	\$ 55,016,390	\$ 31,724,656	\$ (19,035,832)	\$ 67,705,214	\$ 27,291,831

	<u>December 31,</u> <u>2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>December 31,</u> <u>2013</u>	<u>Amounts Due</u> <u>Within</u> <u>One Year</u>
Estimated third-party payor	\$ 34,346,849	\$ 35,960,896	\$ (15,291,355)	\$ 55,016,390	\$ 11,061,816

A summary of the payment arrangements follows:

**Reimbursement**

***Medicare***

Under the Medicare program, WCHCC receives reimbursement under a prospective payment system (PPS) for inpatient and outpatient services. Under inpatient PPS, fixed payment amounts per inpatient discharge are established based on the patient's assigned diagnosis-related group (DRG). When the estimated cost of treatment for certain patients is higher than the average, providers typically will receive additional outlier payments. Under outpatient PPS, services are paid based on service groups called ambulatory payment classifications (APCs).

WCHCC's psychiatric unit was reimbursed on a cost-based system, subject to certain cost limits through December 31, 2004. Commencing January 1, 2005, Medicare began transitioning this service to PPS and is paying on a fixed per diem basis, also recognizing the intensity of services provided to the patients, age and co-morbidities and geographic wage differences.

**Medicaid and Other Third-Party Payors**

Medicaid, workers' compensation and no fault payors pay rates which are promulgated by the New York State Department of Health (Department of Health). Fixed payment amounts per inpatient discharge are established based on the patient's assigned case mix intensity similar to a Medicare DRG. Effective December 1, 2009, the Department of Health was authorized by state statute to implement a new hospital

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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inpatient payment system. To provide a more equitable and fair payment method for services being rendered, New York implemented a severity-based methodology using 3M™ All Patient Refined Diagnosis Related Groups (APR-DRGs). In addition, a new acute care payment methodology has been developed.

All other third-party payors, principally Blue Cross, other private insurance companies, Health Maintenance Organizations (HMOs), Preferred Provider Organizations (PPOs), and other managed care plans, negotiate payment rates directly with WCHCC. Such arrangements vary from DRG-based payment systems, per diems, case rates, and percentage of billed charges. If such rates are not negotiated, then the payors are billed at WCHCC's established charges.

New York State regulations provide for the distribution of funds from an indigent care pool which is intended to partially offset the cost of services provided to the uninsured. The funds are distributed to the hospitals based on each hospital's level of bad debts and charity care in relation to all other hospitals. For the years ended December 31, 2014 and 2013, WCHCC received distributions of approximately \$9,106,000 and \$7,978,000, respectively from the indigent care pool, which are included in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position.

Both Federal and New York State regulations provide for certain adjustments to current and prior years' payment rates and indigent care pool distributions based on industry-wide and hospital-specific data. WCHCC has established estimates based on information presently available of the amounts due to or from Medicare, Medicaid, workers' compensation, and no-fault payors, and amounts due from the indigent care pool for such adjustments.

There are various proposals at the Federal and New York State levels that could, among other things, reduce reimbursement rates, modify reimbursement methods, and increase managed care penetration, including Medicare and Medicaid. The ultimate outcome of these proposals and other market changes cannot presently be determined.

Revenue from the Medicare and Medicaid programs accounted for approximately 22% and 10%, respectively, of WCHCC's net patient service revenue for the year ended December 31, 2014 and 19% and 10%, respectively, for the year ended December 31, 2013. Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by material amounts in the near term. WCHCC 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.

**Disproportionate Share**

WCHCC is eligible to receive certain Disproportionate Share ("DSH") payments in recognition of the costs associated with the provision of care to uninsured patients. Funding for these payments is provided by local and Federal sources. WCHCC includes these payments in net patient service revenue in the accompanying Statements of Revenues, Expenses and Changes in Net Position. In 2014 and 2013, WCHCC recorded approximately \$57,792,000 and \$50,059,000, respectively, of net DSH revenue. Amounts recognized as revenue represent amounts received for which all required Federal and State approvals have been received in WCHCC's fiscal year.



# Westchester County Health Care Corporation

## Notes to Financial Statements

### December 31, 2014 and 2013

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#### Other Matters

A health care entity's revenues may be subject to adjustment as a result of examination by government agencies or contractors. The audit process and the resolution of significant related matters often are not finalized until several years after the services were rendered. Reasonable estimates of such adjustments are made to third-party revenue recognition in order to not recognize revenue that may not ultimately be realized. The delay between rendering services and reaching final settlement, as well as the complexities and ambiguities of billing and reimbursement regulations, makes it difficult to estimate net realizable third-party revenues. Actual results may differ significantly from those estimates.

Management recognizes revenues relating to third-party settlements and patient service revenues when the realization of such amounts are reasonably assured. Management makes a reasonable estimate of amounts that ultimately will be realized, considering, among other things, adjustments associated with regulatory reviews, audits, billing reviews, investigations, or other proceedings.

WCHCC has received payments related to Medicaid services and settlement, DSH and other Medicare related reimbursements. Due to the fact that certain of these revenues may be subject to adjustment as a result of examination by government agencies, management has determined that not all of these receipts are realizable as of December 31, 2014 and therefore have not been recognized as revenue given uncertainties and the fact that they are subject to further adjustment.

The operation of WCHCC's patient care services business is subject to federal and state laws prohibiting fraud by healthcare providers, including laws containing criminal provisions, which prohibit filing false claims or making false statements in order to receive payment or obtain certification under Medicare and Medicaid programs, or failing to refund overpayments or improper payments. Violation of these criminal provisions is a felony punishable by imprisonment and/or fines. WCHCC may also be subject to fines and treble damage claims if WCHCC knowingly files a false claim or knowingly uses false statements to obtain payment. State and federal governments are devoting increased attention and resources to anti-fraud initiatives against healthcare providers. The Health Insurance Portability and Accountability Act of 1996 and the Balanced Budget Act of 1997 expanded the penalties for healthcare fraud, including broader provisions for the exclusion of providers from the Medicare and Medicaid programs. WCHCC has established policies and procedures that it believes are sufficient to ensure that it operates in substantial compliance with these anti-fraud and abuse requirements.

On or about January 27, 2007, WCHCC received an administrative subpoena *duces tecum* (the Subpoena) issued by the Office of Inspector General of the United States Department of Health and Human Services (OIG), working in coordination with the Civil Division of the Office of United States Attorney for the Southern District of New York (USAO/SDNY). The Subpoena sought documents and other information, dating back to January 1997, primarily related to contractual arrangements between physicians and WCHCC. The Subpoena also sought production of WCHCC's annual Medicare and Medicaid cost reports, information on WCHCC's Medicare outlier payments received by WCHCC and other related information.

On July 10, 2013, the USAO/SDNY initiated settlement discussions. WCHCC ultimately reached an agreement-in-principle to settle with the USAO/SDNY on August 18, 2014, subject to the negotiation of a definitive and binding written agreement. Under the terms of the agreement-in-principle, in consideration for WCHCC's payment of civil damages in the amount of \$18,800,000, the USAO/SDNY will release WCHCC and its current and former officers, directors, employees, affiliates and assigns from any civil liabilities arising under the False Claims Act and the common law for the covered conduct at issue. WCHCC expects to reach a definitive and binding agreement by April 2015.

**Westchester County Health Care Corporation**  
**Notes to Financial Statements**  
**December 31, 2014 and 2013**

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Various suits and claims arising in the normal course of operations are pending. While the outcome of these suits cannot be determined at this time, management believes that such suits and claims are either specifically covered by insurance or the final disposition of such claims will not have a material effect on WCHCC's financial position, results of operations, or liquidity.

In December 2014, WCHCC submitted an application to New York State Department of Health (NYSDOH) for participation in New York State's (the State) Delivery System Reform Incentive Program (DSRIP). WCHCC's application received the highest scores in the State on several key measures and was recommended for funding from this program by the NYSDOH to the Centers for Medicare and Medicaid Services. Although WCHCC believes that it will receive a significant amount of DSRIP funding over the life of the five year program, the ultimate amount of funding cannot be determined at this time since it is dependent on certain regulatory approvals as well as the ability of WCHCC to meet certain program benchmarks on a quarterly basis over the life of the program.

On December 19, 2014, WCHCC entered into a letter of intent with Bon Secours Charity Health System (BSCHS) and Bon Secours Health System, Inc. (BSHSI) concerning a transaction pursuant to which WCHCC would become a majority co-member in and manage the day to day operations of BSCHS and its subsidiaries and facilities among other covenants. WCHCC is currently in the due diligence phase of this process.

On December 22, 2014, WCHCC entered into a letter of intent with HealthAlliance, Inc., d/b/a HealthAlliance of the Hudson Valley (HAHV) regarding an affiliation whereby HAHV and certain of its affiliates will join WCHCC's health care system. WCHCC is currently in the due diligence phase of this process.

**15. Line of Credit**

In March 2011, WCHCC obtained a \$25,000,000 working capital revolving line of credit from a financial institution. The line of credit was renewed in August 2014 and in December 2014 the line of credit was increased to \$35,000,000. The line of credit matures on August 31, 2015 and may be renewed with the approval of the financial institution or converted to a three year term loan. As of December 31, 2014 and 2013, there is no amount outstanding under the line of credit.

**Westchester County Health Care Corporation**  
**Required Supplementary Information**  
**Schedule of Funding Progress – Other Postemployment Benefits (Unaudited)**  
**December 31, 2014**

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<b>Actuarial Valuation Date</b>	<b>Actuarial Value of Assets (a)</b>	<b>Actuarial Accrual Liability (AAL) Initial Entry Age (b)</b>	<b>Unfunded (AAL) (UAAL) (b-a)</b>	<b>Funded Ratio (a/b)</b>	<b>Covered Payroll (c)</b>	<b>(UAAL) As a Percentage of Covered Payroll ((b-a)/c)</b>
01/01/14	\$ -	\$ 297,146,000	\$ 297,146,000	0.0%	\$ 179,466,000	165.6%
01/01/13	\$ -	\$ 276,824,000	\$ 276,824,000	0.0%	\$ 174,737,000	158.4%
01/01/12	\$ -	\$ 281,128,000	\$ 281,128,000	0.0%	\$ 184,522,000	152.4%

The above represents the valuation of the plan as of January 1.

**Westchester County Health Care Corporation**  
**Supplementary Schedule - Combining Statements of Net Position Information**  
**December 31, 2014**

	C o m b i n e d W e s t c h e s t e r C o u n t y H e a l t h C a r e C o r p o r a t i o n	C h i l d r e n ' s H o s p i t a l F o u n d a t i o n	W M C F o u n d a t i o n	E l i m i n a t i n g E n t r i e s	T o t a l R e p o r t i n g E n t i t y
<b>A s s e t s</b>					
Cash and cash equivalents	\$ 201,670,921	\$ 4,409,923	\$ 1,696,660	\$ -	\$ 207,777,504
Patient accounts receivable, net	49,399,741	-	-	-	49,399,741
Investments	-	594,590	-	-	594,590
Assets restricted as to use, required for current liabilities	17,000,000	5,107,662	2,004,938	-	24,112,600
Other current assets	38,448,306	454,405	168,550	(426,162)	38,645,099
<b>Total current assets</b>	<b>406,518,968</b>	<b>10,566,580</b>	<b>3,870,148</b>	<b>(426,162)</b>	<b>420,529,534</b>
Assets restricted as to use, net	124,129,898	366,166	644,865	-	125,140,929
Capital assets, net	409,586,001	-	-	-	409,586,001
Other assets, net	5,267,646	208,905	-	-	5,476,551
Beneficial interest in Foundation net assets	15,121,133	-	-	(15,121,133)	-
<b>Total assets</b>	<b>960,623,646</b>	<b>11,416,651</b>	<b>4,515,013</b>	<b>(15,547,295)</b>	<b>960,733,015</b>
<b>L i a b i l i t i e s</b>					
Current portion of long-term debt	19,852,842	-	-	-	19,852,842
Accounts payable and accrued expenses	100,412,661	320,546	214,985	(426,162)	100,522,030
Accrued salaries and related withholdings	80,492,491	-	-	-	80,492,491
Current portion of estimated liability to third-party payors	27,291,831	-	-	-	27,291,831
Current portion of post retirement health insurance liability	12,961,000	-	-	-	12,961,000
Current portion of estimated self-insurance liability	25,200,000	-	-	-	25,200,000
Current portion of other liabilities	6,439,647	-	-	-	6,439,647
<b>Total current liabilities</b>	<b>272,650,472</b>	<b>320,546</b>	<b>214,985</b>	<b>(426,162)</b>	<b>272,759,841</b>
Long-term debt, net	474,608,373	-	-	-	474,608,373
Estimated liability to third-party payors, net	40,413,383	-	-	-	40,413,383
Estimated post retirement health insurance liability, net	62,401,000	-	-	-	62,401,000
Estimated self-insurance liability, net	89,413,731	-	-	-	89,413,731
Other liabilities, net	31,367,007	-	-	-	31,367,007
<b>Total liabilities</b>	<b>970,853,966</b>	<b>320,546</b>	<b>214,985</b>	<b>(426,162)</b>	<b>970,963,335</b>
<b>N e t P o s i t i o n</b>					
Restricted					
Expendable for capital acquisitions	2,379,565	1,857,302	522,263	(2,379,565)	2,379,565
Expendable for specific operating activities	5,744,066	3,616,526	2,127,540	(5,744,066)	5,744,066
Net investment in capital assets	514,710,19	-	-	-	514,710,19
Unrestricted	(69,824,970)	5,347,277	1,650,225	(6,997,502)	(69,824,970)
<b>Total net position</b>	<b>\$ (10,230,320)</b>	<b>\$ 10,821,105</b>	<b>\$ 4,300,028</b>	<b>\$ (15,121,133)</b>	<b>\$ (10,230,320)</b>

See Accompanying Report of Independent Certified Public Accountants.

**Westchester County Health Care Corporation**  
**Supplementary Schedule - Combining Statements of Net Position Information**  
**December 31, 2013**

	<b>Combined Westchester County Health Care Corporation</b>	<b>Children's Hospital Foundation</b>	<b>WMC Foundation</b>	<b>Eliminating Entries</b>	<b>Total Reporting Entity</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 198,410,327	\$ 4,103,900	\$ 1,906,507	\$ -	\$ 204,420,734
Patient accounts receivable, net	127,674,680	-	-	-	127,674,680
Investments	-	593,329	-	-	593,329
Assets restricted as to use, required for current liabilities	17,000,000	4,826,997	2,263,328	-	24,090,325
Other current assets	32,750,220	351,266	57,980	(167,699)	32,991,767
Total current assets	<u>375,835,227</u>	<u>9,875,492</u>	<u>4,227,815</u>	<u>(167,699)</u>	<u>389,770,835</u>
Assets restricted as to use, net	157,002,139	573,199	718,781	-	158,294,119
Capital assets, net	318,117,153	-	-	-	318,117,153
Other assets, net	5,200,602	244,031	-	-	5,444,633
Beneficial interest in Foundation net assets	15,401,127	-	-	(15,401,127)	-
Total assets	<u>871,556,248</u>	<u>10,692,722</u>	<u>4,946,596</u>	<u>(15,568,826)</u>	<u>871,626,740</u>
<b>Liabilities</b>					
Current portion of long-term debt	18,650,555	-	-	-	18,650,555
Accounts payable and accrued expenses	76,399,262	156,110	82,081	(167,699)	76,469,754
Accrued salaries and related withholdings	69,053,991	-	-	-	69,053,991
Current portion of estimated liability to third-party payors	11,061,816	-	-	-	11,061,816
Current portion of post retirement health insurance liability	12,164,000	-	-	-	12,164,000
Current portion of estimated self-insurance liability	26,550,000	-	-	-	26,550,000
Current portion of other liabilities	7,069,114	-	-	-	7,069,114
Total current liabilities	<u>220,948,738</u>	<u>156,110</u>	<u>82,081</u>	<u>(167,699)</u>	<u>221,019,230</u>
Long-term debt, net	435,395,581	-	-	-	435,395,581
Estimated liability to third-party payors, net	43,954,574	-	-	-	43,954,574
Estimated post retirement health insurance liability, net	61,555,000	-	-	-	61,555,000
Estimated self-insurance liability, net	90,046,615	-	-	-	90,046,615
Other liabilities, net	34,078,235	-	-	-	34,078,235
Total liabilities	<u>885,978,743</u>	<u>156,110</u>	<u>82,081</u>	<u>(167,699)</u>	<u>886,049,235</u>
<b>Net Position</b>					
Restricted					
Expendable for capital acquisitions	2,717,305	1,740,542	976,763	(2,717,305)	2,717,305
Expendable for specific operating activities	5,665,000	3,659,654	2,005,346	(5,665,000)	5,665,000
Investment in capital assets	6,732,192	-	-	-	6,732,192
Unrestricted	(29,536,992)	5,136,416	1,882,406	(7,018,822)	(29,536,992)
Total net position	<u>\$ (14,422,495)</u>	<u>\$ 10,536,612</u>	<u>\$ 4,864,515</u>	<u>\$ (15,401,127)</u>	<u>\$ (14,422,495)</u>

See Accompanying Report of Independent Certified Public Accountants.

**Westchester County Health Care Corporation**  
**Supplementary Schedule – Combining Statements Revenues, Expenses, and**  
**Changes in Net Position Information**  
**Year Ended December 31, 2014**

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
<b>Operating revenues</b>					
Net patient service revenue	\$ 1,025,476,316	\$ -	\$ -	\$ -	\$ 1,025,476,316
Other revenue	30,400,455	2,876,877	2,167,338	(1,789,561)	33,655,109
Total operating revenues	<u>1,055,876,771</u>	<u>2,876,877</u>	<u>2,167,338</u>	<u>(1,789,561)</u>	<u>1,059,131,425</u>
<b>Operating expenses</b>					
Salaries and benefits	562,874,363	-	-	-	562,874,363
Supplies and other expenses	412,843,158	1,609,526	1,735,738	(2,048,235)	414,140,187
Professional liability	8,176,954	-	-	-	8,176,954
Depreciation and amortization	50,427,930	-	-	-	50,427,930
Total operating expenses	<u>1,034,322,405</u>	<u>1,609,526</u>	<u>1,735,738</u>	<u>(2,048,235)</u>	<u>1,035,619,434</u>
Operating income	21,554,366	1,267,351	431,600	258,674	23,511,991
<b>Nonoperating activities</b>					
Interest income	5,705,793	17,142	3,913	-	5,726,848
Interest expense	(25,046,664)	-	-	-	(25,046,664)
Income before capital contributions	2,213,495	1,284,493	435,513	258,674	4,192,175
Change in beneficial interest in Foundation net assets	(21,320)	-	-	21,320	-
Capital contributions	2,000,000	(1,000,000)	(1,000,000)	-	-
Increase in net position	<u>4,192,175</u>	<u>284,493</u>	<u>(564,487)</u>	<u>279,994</u>	<u>4,192,175</u>
<b>Net position</b>					
Beginning of year	(14,422,495)	10,536,612	4,864,515	(15,401,127)	(14,422,495)
End of year	<u>\$ (10,230,320)</u>	<u>\$ 10,821,105</u>	<u>\$ 4,300,028</u>	<u>\$ (15,121,133)</u>	<u>\$ (10,230,320)</u>

See Accompanying Report of Independent Certified Public Accountant.

**Westchester County Health Care Corporation**  
**Supplementary Schedule – Combining Statements of Revenues, Expenses, and**  
**Changes in Net Position Information**  
**Year Ended December 31, 2013**

	Combined Westchester County Health Care Corporation	Children's Hospital Foundation	WMC Foundation	Eliminating Entries	Total Reporting Entity
<b>Operating revenues</b>					
Net patient service revenue	\$ 895,371,943	\$ -	\$ -	\$ -	\$ 895,371,943
Other revenue	20,369,810	2,646,960	1,862,624	(1,463,040)	23,416,354
Total operating revenues	<u>915,741,753</u>	<u>2,646,960</u>	<u>1,862,624</u>	<u>(1,463,040)</u>	<u>918,788,297</u>
<b>Operating expenses</b>					
Salaries and benefits	473,772,966	-	-	-	473,772,966
Supplies and other expenses	358,636,711	1,379,064	1,232,354	(186,835)	361,061,294
Professional liability	13,714,339	-	-	-	13,714,339
Depreciation and amortization	44,105,172	105	-	-	44,105,277
Total operating expenses	<u>890,229,188</u>	<u>1,379,169</u>	<u>1,232,354</u>	<u>(186,835)</u>	<u>892,653,876</u>
Operating income	25,512,565	1,267,791	630,270	(1,276,205)	26,134,421
<b>Nonoperating activities</b>					
Interest income	3,733,814	17,746	4,966	-	3,756,526
Interest expense	(23,621,278)	-	-	-	(23,621,278)
Income before capital contributions	5,625,101	1,285,537	635,236	(1,276,205)	6,269,669
Change in beneficial interest in Foundation net assets	542,779	-	-	(542,779)	-
Capital contributions	101,789	(17,015)	(84,774)	-	-
Increase in net position	<u>6,269,669</u>	<u>1,268,522</u>	<u>550,462</u>	<u>(1,818,984)</u>	<u>6,269,669</u>
<b>Net position</b>					
Beginning of year	(20,692,164)	9,268,090	4,314,053	(13,582,143)	(20,692,164)
End of year	<u>\$ (14,422,495)</u>	<u>\$ 10,536,612</u>	<u>\$ 4,864,515</u>	<u>\$ (15,401,127)</u>	<u>\$ (14,422,495)</u>

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