

Westchester County Health Care Corporation

Cash, Cash Equivalents and Investments

As of December 31, 2017

Cash and Cash Equivalents

WCHCC's cash and cash equivalents policies are governed by state statutes. Funds 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.

At December 31, 2017, cash and cash equivalents consist of cash and all highly liquid instruments with maturities of three months or less at the date of purchase. Approximately 89% of cash and cash equivalents reside with a major financial institution at December 31, 2017.

Investments

WCHCC's investments consists primarily of equity mutual funds, equity exchange traded funds and fixed income mutual funds, which are stated at fair value in the Statements of Net Position.

Deposits and Investments

Deposits and investments consist of the following at December 31, 2017 (amounts in thousands):

	2017
Description	
Bank deposits	\$ 151,284
Money market accounts	10,050
Equity mutual funds	926
Equities	40,844
Inflation hedges exchange-traded funds	149
Fixed income:	
US Treasury securities	176,704
Corporate bonds	45,358
Fixed income mutual funds	1,510
	\$ 426,825
Description on Statement of Net Position	
Cash and cash equivalents	\$ 142,490
Investments	126,021
Assets restricted as to use, required for current liabilities	17,758
Assets restricted as to use, net	140,556
	\$ 426,825

2017

Investment Maturities of Fixed Income Securities

One year or less	\$ 144,707
After one through five years	55,708
After five through ten years	22,594
More than ten years	<u>563</u>
	<u>\$ 223,572</u>

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

WCHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2017 all of WCHCC's financial instruments measured at fair value were categorized as Level 1.

Custodial credit risk - investments - is the risk that, in the event of the failure of counterparty, WCHCC will not be able to recover the value of the investments that are in that counterparty's possession. WCHCC's investment policy does not address custodial credit risk for investments. WCHCC's investment securities are exposed to custodial credit risk if the securities are uninsured and unregistered and held by the counterparty, or by its trust department or agent, but not in WCHCC's name. At December 31, 2017 all investments are either insured or held by WCHCC or its agent in WCHCC's name and, therefore, are not exposed to custodial credit risk.

Concentration of credit risk - is the risk of loss attributed to the magnitude of WCHCC's investment in a single issuer. There is no limit on the amount WCHCC may invest in any issuer. WCHCC's investments are diversified and are not currently exposed to this risk.

Interest rate risk - is the risk that changes in interest rates will adversely affect the fair market value of an investment. WCHCC invests in fixed-rate debt and US Treasury securities with primarily one to ten year maturities.

Credit Risk - is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. WCHCC's investment policy places no limitation on the ratings for debt instruments. WCHCC's fixed income investments are rated AAA to B.