Basic Financial Statements, Supplementary Schedules and
Report of Independent Certified Public Accountants
(With Management's Discussion and Analysis)

NASSAU HEALTH CARE CORPORATION

(A Component Unit of the County of Nassau, New York)

December 31, 2014

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)

TABLE OF CONTENTS

Grant Thornton LLP
445 Broad Hollow Road, Suite 300
Melville, NY 11747-3601

T 631.249.6001
F 631.249.6144
GrantThornton.com
linkd.in/GrantThorntonUS
twitter.com/GrantThorntonUS

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Nassau Health Care Corporation

We have audited the accompanying financial statements of Nassau Health Care Corporation ("NHCC"), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise NHCC's basic financial statements as listed in the table of contents.

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 audit. We conducted our audit 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, the financial statements referred to above present fairly, in all material respects, the financial position of Nassau Health Care Corporation as of December 31, 2014, and the changes in financial position and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 2, the 2013 financial statements have been restated. We audited the adjustments described in Note 2 that were applied to restate the 2013 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. However, we do not express an opinion or any other form of assurance on the 2013 financial statements taken as a whole.

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 7 and the required supplementary information on page 37 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 America 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

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NHCC's basic financial statements. The accompanying combining information included on the supplemental schedules on pages 38 through 40 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

Melville, New York
July 29, 2015

This Management's Discussion and Analysis (MD&A) of Nassau Health Care Corporation (the Corporation) provides an introduction to the basic financial statements for the year ended December 31, 2014, with selected comparative information for the year ended December 31, 2013, which have been restated from what was previously reported (see note 2 to financial statements). Management prepared this MD&A, which is intended to look at the Corporation's financial performance as a whole. It should be read in conjunction with the Corporation's financial statements, the notes and the required supplementary information.

Basic Financial Statements

This annual financial report consists of four parts: Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information and supplementary information. The Corporation is supported by fees charged for the services it provides. Accordingly, the Corporation is considered an enterprise fund and utilizes the accrual basis of accounting. Enterprise fund statements offer short- and long-term financial information about the activities and operations of the Corporation. The Corporation operates in a manner similar to a private business.

Financial Position Summary

The statement of net position depicts the Corporation's financial position at December 31, the end of the Corporation's year. The Corporation's net position can be thought of as the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources and is one way to measure the Corporation's financial health. Net position is displayed in three components: net investment in capital assets, restricted and unrestricted.

(In thousands)

Condensed Financial Information – Net Position

	2014	2013 (As Restated)	2014-2013 Dollar Change	2014-2013 Percentage Change
Assets				
Current assets	$ 173,918	$ 154,592	$ 19,326	13 %
Capital assets	187,374	188,640	(1,266)	(1.0)
Other assets	51,026	40,301	10,725	27
Total assets	$ 412,318	$ 383,533	$ 28,785	8 %
Deferred outflows of resources	$ 50,169	$ 45,066	$ 5,103	11 %
Liabilities				
Current liabilities	$ 135,715	$ 149,735	$ (14,020)	(9)%
Long-term portion of debt	229,945	242,966	(13,021)	(5)
Other long-term liabilities	512,870	422,863	90,007	21
Total liabilities	$ 878,530	$ 815,564	$ 62,966	8.0 %
Net position				
Net investment in capital assets	$ 118,841	$ 93,142	$ 25,699	28 %
Restricted	2,936	2,066	870	42
Unrestricted	(537,820)	(482,173)	(55,647)	(12)
Total net position	$ (416,043)	$ (386,965)	$ (29,078)	(8)%

Certain 2013 amounts have been reclassified to conform to current year presentation.

(In thousands)

Condensed Financial Information (continued) – Revenues, Expenses, and Changes in Net Position

	2014	2013 (As Restated)	2014-2013 Dollar Change	2014-2013 Percentage Change
Operating revenues				
Net patient service revenue	$ 490,047	$ 451,315	$ 38,732	9 %
Other revenue	54,988	63,119	(8,131)	(13)
Total operating revenues	545,035	514,434	30,601	6
Operating expenses				
Salaries	242,514	248,558	(6,044)	(2)
Employee benefits	122,380	119,257	3,123	3
Supplies and other expenses	143,748	141,891	1,857	1
Depreciation	20,632	20,189	443	2
	529,274	529,895	(621)	-
Income (loss) before OPEB expense	15,761	(15,461)	31,222	202
Employee benefits - OPEB	33,189	33,279	(90)	-
Operating loss	(17,428)	(48,740)	31,312	64
Nonoperating activities, net	(12,243)	(14,604)	2,361	16
Capital contributions	593	13,800	(13,207)	(96)
Decrease in net position	(29,078)	(49,544)	20,466	41
Net position				
Beginning of year (as restated)	(386,965)	(337,421)	(49,544)	(15)
End of year	$ (416,043)	$ (386,965)	$ (29,078)	(8)%

Certain 2013 amounts have been reclassified to conform to current year presentation.

Financial Analysis of the Corporation (in thousands of dollars)

Financial results in 2014 saw an improvement from 2013 as Income before OPEB increased by $31,222 from ($15,461) in 2013 to $15,761 in 2014.

Noteworthy 2014 improvements included an increase in net patient service revenue of $38,732, or 9%. Other revenue decreased $8,131, or 13%, primarily from a reduction in State Aid of $5,094 and a reduction of $4,159 in the Corporation's equity distribution from Health First. Overall expenses decreased by $621. The reduction in expenses was primarily driven by a year-over-year reduction in salaries of $6,044, or 2%, offset by an increase in employee benefit expenses totaling $3,123, or 3%.

OPEB reflects the future liability for retirees' health insurance and is presented separately from day-to-day operations. After the inclusion of OPEB expenses, the Corporation's overall operating result improved from ($48,740) to ($17,428).

A significant event in 2014 was the recognition of $26,075 of Interim Access Assurance Funding ("IAAF") from the New York State Department of Health ("DOH"). DOH awarded IAAF funds to 27 safety net hospitals and five major public hospital systems to assist in sustaining key health care services as they participate with other providers in the development of proposals for systems of integrated services delivery to be funded and implemented under the Delivery System Reform Incentive Payment (DSRIP) program. In December 2014, the Corporation submitted an application to New York State Department of Health (NYSDOH) for participation in New York State's DSRIP program. NHCC is the lead organization in a new entity, the Nassau Queens Performing Provider System (NQP). NQP's application was accepted and was recommended for funding from this program by the NYSDOH to the Centers for Medicare and Medicaid Services. Although NQP 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 NQP to meet certain program benchmarks on a quarterly basis over the life of the program.

During the 2014 closing process, the Corporation determined that previously issued financial statements improperly classified amounts for its interest rate swap agreements (GASB 53), misreported patient accounts receivable and under reported Federal Insurance Contributions Act (FICA) and other payroll liabilities associated with accrued payroll. Also the Corporation and the Medicare Administrative Contractor (MAC) under reported payments in settlement documents. Lastly, the Corporation did not include two component units that are part of the Corporation's reporting entity. Consequently, beginning net position was restated, resulting in a $383 increase, from negative $387,348 to negative $386,965 (see note 2 to financial statements).

Operating Activities

General

For the year ended December 31, 2014, the income (loss) before OPEB expense improved to $15,761 in 2014 from ($15,461) in 2013.

Net Patient Service Revenue
Total net patient service revenue of $490,047 for the year ended December 31, 2014 increased $38,732 (9%) from the prior year.

Other Operating Revenue
Other operating revenue of $54,988 for the year ended December 31, 2014 decreased $8,131 (13%) from the prior year.

Expenses
Total operating expenses before OPEB expense of $529,895 for the year ended December 31, 2014 decreased $621 from the prior year.

Attrition and conservative hiring practices resulted in a $6,044, (or 2%) decrease in salaries and wages from 2013 to 2014.

Although salaries decreased, increases in pension contributions and health insurance resulted in a $3,123, or 3% increase in employee benefits from 2013 to 2014.

The Corporation recorded unfunded other postemployment benefit expense of $33,189 and $33,279 in 2014 and 2013, respectively. The cost is actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service.

Capital Assets
During 2014, the Corporation purchased $19,366 in capital assets and incurred $20,632 in depreciation expense. In 2014, the Corporation received $593 of capital grants, which are restricted for capital projects.

During 2013, the Corporation purchased $32,915 in capital assets and incurred $20,189 in depreciation expense. In 2013, the Corporation received $13,800 of capital grants, which are restricted for capital projects.

Debt
During 2014 and 2013, the Corporation made principal and interest payments on its outstanding bonds of approximately $16,800 and $12,748, respectively.

Contacting the Corporation's Financial Management
If there are any questions about this report or if additional financial information is needed, contact the Office of Public Affairs, Nassau Health Care Corporation, 2201 Hempstead Turnpike, East Meadow, NY 11554.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Statement of Net Position
(In Thousands)
December 31, 2014

ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	84,217
Patient accounts receivable, net		53,418
Inventories		7,547
Prepaid expenses		2,068
Other receivables		7,366
Due from third-party payors		8,339
Assets restricted as to use, required for current liabilities		2,731
Due from the County of Nassau, New York		8,232
Total current assets		173,918
Assets restricted as to use, net		28,292
Capital assets, net		187,374
Other assets		22,734
Total assets	$	412,318
DEFERRED OUTFLOWS OF RESOURCES		
Deferred change in fair value of interest rate swaps	$	10,336
Deferred charge on refunding		39,833
Total deferred outflows of resources	$	50,169
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$	13,005
Accounts payable and accrued expenses		44,808
Accrued salaries and related withholdings		17,926
Current portion of post retirement health insurance liability		8,000
Current portion of vacation and sick leave		2,690
Current portion of estimated self-insurance liability		4,000
Current portion of accrued pension benefits		33,578
Unearned revenue		11,708
Total current liabilities		135,715
Long-term debt		229,945
Estimated liability to third-party payors, net		40,817
Estimated post retirement health insurance liability		306,007
Estimated self-insurance liability		52,344
Estimated fair value of interest rate swap agreements		32,162
Accrued vacation and sick leave		54,851
Accrued pension benefits		26,689
Total liabilities	$	878,530
Commitments and contingencies		
Net position		
Net investment in capital assets	$	118,841
Restricted		2,936
Unrestricted		(537,820)
Total net position	$	(416,043)

The accompanying notes are an integral part of this statement.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Statement of Revenues, Expenses and Changes in Net Position
(In Thousands)
Year ended December 31, 2014

OPERATING REVENUE	
Net patient service revenue (net of the provision for bad debts of $39,262)	$ 490,047
Other revenue	54,988
Total operating revenues	545,035
OPERATING EXPENSES	
Salaries	242,514
Employee benefits - pension	39,762
Employee benefits - other	82,618
Supplies and other expenses	143,748
Depreciation and amortization	20,632
	529,274
Income before OPEB expenses	15,761
Employee benefits - OPEB expenses	33,189
Operating loss	(17,428)
NONOPERATING ACTIVITIES	
Interest income	149
Interest expense	(12,392)
Total nonoperating activities, net	(12,243)
Capital contributions	593
Decrease in net position	(29,078)
Beginning of year, as restated (Note 2)	(386,965)
End of year	$ (416,043)

The accompanying notes are an integral part of this statement.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Statement of Cash Flows
(In Thousands)
Year ended December 31, 2014

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients and third-party payers	$ 510,813
Cash received from other operating revenue	77,678
Cash paid to employees	(352,429)
Cash paid to suppliers	(146,363)
Net cash provided by operating activities	89,699
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for interest	(6,741)
Payment of debt	(4,538)
Proceeds from revenue anticipation notes	40,000
Repayment of revenue anticipation notes	(40,000)
Net cash used in noncapital and related financing activities	(11,279)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(19,366)
Cash paid for interest, net of amounts capitalized	(3,473)
Grants for capital asset acquisitions	593
Net cash used in capital and related financing activities	(22,246)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net change in restricted cash and cash equivalents	(4,943)
Cash received from interest	149
Net cash used in investing activities	(4,794)
Net increase in cash and cash equivalents	51,380
Cash and cash equivalents, beginning of year, as restated (Note 2)	32,837
Cash and cash equivalents, end of year	$ 84,217
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating loss	$ (17,428)
Depreciation and amortization	20,632
Changes in operating assets and liabilities	
Patient accounts receivable	12,197
Prepaid expenses and inventories	(395)
Other receivables and assets	22,690
Due from County of Nassau, New York, net	(3,498)
Accounts payable and accrued expenses	(6,421)
Accrued salaries, withholding, pensions, vacation and sick pay	12,465
Due to/from third-party payers, net	(3,139)
Professional and other insurance liabilities	7,699
Postemployment health insurance liability	33,189
Unearned revenue	11,708
Net cash provided by operating activities	$ 89,699

The accompanying notes are an integral part of this statement.

1. ORGANIZATION

The Nassau Health Care Corporation (d/b/a NuHealth) ("NHCC") is a public benefit corporation created pursuant to Public Authorities Law 3401, *et. seq.*, ("PAL") by New York State ("State") in 1997 for the purposes of acquiring the health facilities owned by Nassau County, New York ("County"), operating these facilities more efficiently than the County could, and competing with other health care providers in a rapidly changing health care marketplace. These facilities were formally acquired by NHCC from the County on September 29, 1999.

NHCC has a governing board consisting of fifteen voting directors and three non-voting directors. Eight of the voting directors are appointed by the Governor of the State of New York on the recommendation of various State and County elected officials. Seven of the voting directors, and two of the non-voting directors, are appointed directly by the County Executive or the County Legislature. The Chief Executive Officer of NHCC is the final non-voting director.

NHCC was formed as the public benefit corporation entity with Nassau University Medical Center ("NUMC"), representing the operating body comprising all activities. NUMC is a 530-bed hospital located in East Meadow, New York. In addition to its tertiary care medical center, NUMC includes the following operating divisions: A. Holly Patterson Extended Care Facility ("AHP"), a 589-bed nursing home located in Uniondale, New York; a Faculty Practice Plan ("FPP"), and co-operates with Long Island FQHC, Inc. ("LIFQHC"), five treatment centers and one school-based clinic.

Except for LIFQHC (discussed below), the following active corporate entities are either owned or controlled wholly or in part by NHCC by virtue of NHCC being the sole corporate member pursuant to the New York State Not-for-Profit Corporation Law ("N-PCL"), through membership interests, or otherwise having the ability to approve the board and/or shareholders of the entity:

- Nassau Health Care Foundation, Inc. ("NHCF"): NHCF was incorporated on June 24, 1964 as a type B membership corporation under the N-PCL. The members of the Board of Directors of NHCC are automatically members of the NHCF Board of Directors. The purpose of NHCF is to support, maintain and otherwise benefit and be responsive to the needs and objectives of the hospital, skilled nursing facility and related facilities operated by NHCC. In accordance with its mission, NHCF has been supplying non-permanent employees to NHCC through a series of agreements that reimburse NHCF for the cost of such employees. NHCF also receives support from NHCC Medical Faculty Practice Plan revenues and maintains discretionary funds that can be used by the Chairman of each NHCC department for educational and mission-related purposes. In March of 2011, NHCF applied to the Department of Labor to obtain status as a Professional Employer Organization ("PEO") pursuant to the New York Professional Employer Act of 2003. As a result of this action, NHCF officially became a co-employer of certain NHCC employees as of May 18, 2011. In December 2014, the NHCC Board members resigned and new NHCF Board members were appointed.

- Long Island Medical Foundation, Inc. (d/b/a NuHealth Foundation) ("LIMF"): LIMF was incorporated on May 3, 2002 and obtained federal tax-exempt status in October 2003 as a 501(c)(3) support organization. LIMF was specifically established to be the fundraising arm of NHCC. It was established as a membership corporation and NHCC is its sole member. LIMF currently has no employees. The individuals currently dedicated to LIMF are employed through NHCF.

- NHCC, Ltd.: NHCC Ltd. is a corporation organized under the Companies Law of Cayman Islands on September 24, 1999. NHCC is the sole shareholder. NHCC, Ltd. was established as an off-shore captive insurance company (the "Captive") for NHCC, for its medical malpractice coverage, and is licensed under the Insurance Law (1999 Revision) of Cayman Islands as of April 1, 2000 (see Note 10).

- NHCC Medical Faculty Practice Plan, PC (d/b/a Nassau Medical Associates) ("NMA"): NMA was organized and incorporated on December 12, 2008 as a multi-specialty professional corporation ("PC") with the Chief Medical Officer of NHCC as its sole shareholder. The shares of NMA are expressly held by the Chief Medical Officer for the exclusive benefit of NHCC. Historically, NuHealth has operated NUMC and its health care centers almost exclusively with its employed physicians. An employed physician model aligns physician and health system incentives. However, as a PC, NMA can employ physicians working in community practice sites. NHCC has entered into agreements with NMA to advance funds to support the start-up and operations of NMA, subject to repayment when funds are available.

- Newco ALP, Inc. ("NewCo"): NewCo was formed on May 22, 2009 for the purpose of becoming the licensed operator of a 150-bed Medicaid Assisted Living Program ("ALP") and a related Licensed Home Services Agency ("LHCSA"). The ALP will be a primary component of a State mandated rightsizing of AHP (see Note 11). The New York State Department of Health ("NYSDOH") has approved NewCo's application for a license to operate an ALP at an expanded 200-bed size, and approved a LCHSA for this purpose in a building, which previously served as the Hempstead General Hospital, situated at 820 Front Street, Hempstead (Nassau County), New York 11550 (the "Site"). NewCo received 501(c)(3) status as of August 10, 2010. NewCo's tax exempt status was revoked in 2012 for the failure to file required documentation. A letter requesting the retroactive reinstatement of NewCo's 501(c)(3) status was submitted to Internal Revenue Service in April 2013. NewCo has had no operating activities since its formation.

- South Ocean Care, LLC ("SOC"): SOC is a for-profit corporation that owns and operates a diagnostic and treatment center in Freeport, New York, which provides primary and specialty services predominantly to patients enrolled in Medicaid and Medicare Managed Care plans. In 2010, NHCC acquired an 80% membership interest in SOC. The acquisition by NHCC of a majority membership interest in SOC and its inclusion in NHCC's network of health care facilities enables its continued operation and its delivery of primary care services to the residents of Freeport, New York. In 2013, NHCC acquired the remaining 20% membership interest in SOC. SOC had no operating activities in 2014.

The financial reporting entity which results from blending NHCC and the above entities is collectively referred to as the "Corporation"

LIFQHC is an independent not-for-profit corporation formed on May 14, 2009 and established by NYSDOH on June 15, 2010, as a co-operator of the four treatment centers and a school-based clinic, previously operated solely by NHCC, in order to meet federal governance requirements and obtain designation from the Health Resources and Services Administration ("HRSA") as a public-entity federally qualified health center ("FQHC") "Look-Alike" organization. HRSA granted "Lookalike" status under the public entity model, and the NHCC-LIFQHC project became operational in June 2010. LIFQHC is not considered a component unit of NHCC and accordingly, is not included in the accompanying financial statements.

The Corporation is considered to be a component unit of the County and is included as a discretely presented component unit in the financial statements of the County. The County provides the Corporation historic mission subsidies, Article VI service payments, payments for certain health services, inter-governmental transfer (IGT) and various other payments throughout each year. Additionally, the County is the direct-pay guarantor of the Corporation's Series 2004 and Series 2009 Bonds, as well as guarantor to its swap counterparties. It is not possible to predict the effect, if any; the County's current or future operations will have on the financial statements of the Corporation, taken as a whole.

In September 2004, the Corporation and the County executed a stabilization agreement (the "Stabilization Agreement"), amending the original acquisition agreement. The Stabilization Agreement intended to resolve disputed charges, clarify language in existing agreements and identify the principles to govern more comprehensive successor arrangements.

Effective November 2007, the Corporation and the County executed a successor agreement (the "Successor Agreement"), superseding the Stabilization Agreement. The Successor Agreement clarifies the services provided by the Corporation to the County and establishes the mechanism for payments to the Corporation by the County. The Successor Agreement also provides the Corporation with capital funding and is in effect until 2029.

At December 31, 2014, the Corporation had a deficit in its total net position of ($416,043). The deficit arose from operating losses and the postemployment benefits other than pension liability obligation (see Note 9). The Corporation is continuously striving to improve its net position by achieving profitability from income before other postemployment benefit (OPEB) expense, by continuing to progress with collecting on patient accounts, and through cash flows provided by government subsidies for the funding of capital projects (see Notes 2 and 6). The Corporation has undertaken a number of initiatives and has returned to positive cash flows. Such actions include continued revenue cycle enhancements, renegotiation of commercial managed care contracts, changes to medical management practices, improved supply chain, inventory management, rightsizing of personnel and further cost reductions from the major modernization program undertaken over the past several years. The modernization program included significant investments in real estate consolidation, facility improvements, clinical equipment and information technology, and enhancements to the community health centers. During 2014, the Corporation also received significant funding from the State of New York Interim Access Assurance Fund (see note 2 to the financial statements) In addition to the Corporation's initiatives, the County is the direct-pay guarantor of the Corporation's bonds, as well as guarantor to its swap counterparties.

In December 2014, NHCC submitted an application to New York State Department of Health (NYSDOH) for participation in New York State's (the State) Delivery System Reform Incentive Payment Program (DSRIP). NHCC is the lead organization in a new entity, the Nassau Queens Performing Provider System (NQP). NQP's application was accepted and was recommended for funding from this program by the NYSDOH to the Centers for Medicare and Medicaid Services. Although NQP 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 NQP to meet certain program benchmarks on a quarterly basis over the life of the program.

In June 2012, the Corporation received a grant for $18,000 under the Health Care Efficiency and Affordability Law for New Yorkers ("HEAL NY") program from the NYSDOH. The Corporation sought these funds to restructure its care delivery model as part of an overall proposal to reduce inpatient beds (through reductions in unnecessary admissions, ambulatory sensitive admissions, and readmissions), expand primary care and addiction outpatient capacity, develop a care management infrastructure, build information technology interfaces with the North Shore-LIJ Health System to facilitate clinical integration and to pay down approximately $9,000 of debt. At December 31, 2014, the Corporation recorded a $1,747 receivable related to the HEAL NY grant.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The Corporation is considered a special-purpose government entity engaged only in business-type activities. The Corporation'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 presentation, 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 non-operating activities.

The accompanying basic financial statements include the Corporation's operating divisions (NUMC, AHP, and FPP) and its blended component units (NHCF, LIMF, NMA, NHCC, Ltd., NewCo and SOC). All intercompany transactions and balances have been eliminated in combination.

Net Position

Net position of the Corporation is composed of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. Restricted consists of non-capital resources that must be used for a particular purpose, as specified by contributors external to the

Corporation, such as contributions with donor-imposed stipulations that either expire by the passage of time or actions by the Corporation pursuant to those stipulations. Lastly, unrestricted are remaining resources that are available to meet any of the Corporation's ongoing obligations that do not meet the definition of previous net position components. The Corporation had a deficit in unrestricted net position at December 31, 2014.

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. The Corporation'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.

Cash and Cash Equivalents

The Corporation considers all highly liquid investments with original maturities of three months or less when purchased to be cash equivalents, except for assets restricted as to use. NHCC's cash and cash equivalents policies are governed by state statutes. Cash and cash equivalents consist of cash and money market funds. All cash and cash equivalents are insured through Federal Deposit Insurance Corporation insurance or collateralized by U.S. government securities held by NHCC's third-party trustee or the pledging financial institution's trust department in the name of the NHCC, to the full extent of the deposits.

Net Patient Service Revenue and Accounts Receivable for Services to Patients

Net patient service revenue is reported at the estimated net realizable amounts due from patients, third-party payers and others for services rendered, and includes estimated retroactive revenue adjustments due to ongoing and future audits, reviews and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are provided and adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews and investigations.

Patient accounts receivable result from the health care services provided by the Corporation and physicians of the clinical practices. Additions to the allowance for doubtful accounts result from the provision for bad debts. Accounts written off as uncollectible are deducted from the allowance for doubtful accounts. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in Medicare and Medicaid health care coverage and other collection indicators.

Medicare Reimbursement

Hospitals are paid for most Medicare inpatient and outpatient services under the national prospective payment system and other methodologies of the Medicare program for certain other services. Federal regulations provide for certain adjustments to current and prior years' payment rates, based on industry-wide and hospital-specific data.

Non-Medicare Reimbursement

In New York State, hospitals and all non-Medicare payers, except Medicaid, workers' compensation and no-fault insurance programs, negotiate hospitals' payment rates. If negotiated rates are not established, payers are billed at hospitals' established charges. Medicaid, workers' compensation and no-fault payers pay hospital rates promulgated by the NYSDOH. Effective December 1, 2009, the New York State payment methodology was updated such that payments to hospitals for Medicaid, workers' compensation and no-fault inpatient services are based on a statewide prospective payment system, with retroactive adjustments; prior to December 1, 2009, the payment system provided for retroactive adjustments to payment rates, using a prospective payment formula. Outpatient services also are paid based on a statewide prospective system that was effective December 1, 2008. Medicaid rate methodologies are subject to approval at the Federal level by the Centers for Medicare and Medicaid Services ("CMS"), which may routinely request information about such methodologies prior to approval. Revenue related to specific rate components that have not been approved by CMS is not recognized until the Corporation is reasonably assured that such amounts are realizable. Adjustments to the current and prior years' payment rates for those payers will continue to be made in future years.

The Corporation has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Corporation-specific data. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2011. Other years remain open for audit and settlement as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Corporation is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying financial statements and believes that it is in compliance with all applicable laws and regulations.

There are various proposals at the federal and state levels that could, among other things, significantly reduce payment rates or modify payment methods. The ultimate outcome of these proposals and other market changes, including the potential effects of health care reform that has been enacted by the Federal and State governments, cannot presently be determined. Future changes in the Medicare and Medicaid programs and any reduction of funding could have an adverse impact on the Corporation. Additionally, certain payers' payment rates for various years have been appealed by the Corporation. If the appeals are successful, additional income applicable to those years might be realized. No amounts have been recorded in regards to these appeals.

On March 30, 2010, the Corporation was notified that the NYSDOH was issuing rate revisions dating back to 1996 for rate issues associated with the A. Holly Patterson skilled nursing facility. The amount of the retroactive recovery was approximately $15,600 and was recorded as a liability in 2009. The Corporation filed a legal affidavit on May 12, 2010 protesting the recovery for the periods 1996 through 2002.

Although the outcome is uncertain a liability for this matter has been recorded and included within amounts due third party payors.

Net patient service revenue was decreased by approximately $542 for the year ended December 31, 2014, for settlements related to prior years and changes in estimates made by management related to third-party accounts.

Charity Care

The Corporation provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Corporation does not pursue collection of amounts determined to qualify as charity care, they are not reported as net patient service revenue. The Corporation maintains records to identify and monitor the level of charity care it provides. The amount of charges foregone for the Corporation's services and supplies furnished under its charity care policy aggregated $62,493 for the year ended December 31, 2014. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled $23,507 for the year ended December 31, 2014.

Intergovernmental Transfers

The intergovernmental transfer ("IGT") program is a federal and locally sponsored funding mechanism to assist certain public benefit hospitals in fulfilling their mission of providing health care services to the Medicaid and the uninsured population.

The disproportionate share calculation (DSH) is funded through IGT. The amount is based on a formula that calculates losses on Medicaid and the uninsured from the Corporation's cost report each year, referred to as the disproportionate share calculation. The Federal government funds a portion of the IGT amount with the remainder funded locally. The IGT amount recognized in net patient service revenue in 2014, exclusive of IAAF, was approximately $62,291.

The IGT mechanism was also used to fund the Interim Access Assurance Fund (IAAF). In 2014 NHCC received IAAF funds in the net amount of $37,200, of which $11,200 is deferred until 2015. Net patient service revenue recognized from IAAF was approximately $26,000.

The Corporation received IGT payments of approximately $109,996 in 2014 and has recorded an IGT receivable of approximately $6,000 within other receivables as of December 31, 2014 and unearned revenue of approximately $11,708. The Corporation recognizes IGT assets when all of its applicable eligibility requirements are met or resources are received, whichever is first, and revenues are recognized when all of its applicable eligibility requirements or similar conditions are met.

Concentration of Credit Risk

The Corporation provides health care services through its inpatient, outpatient and long-term care facilities located in Nassau County, New York. The Corporation grants credit to patients, substantially all of whom reside or are employed in the Corporation's primary service area.

(In Thousands)

The Corporation generally does not require collateral or other security in extending credit to patients; however, it routinely obtains assignment of (or is otherwise entitled to receive) patients' benefits payable under their health insurance programs, plans or policies (e.g., Medicare, Medicaid, Blue Cross, health maintenance organizations and commercial insurance policies).

The significant concentrations of accounts receivable for services to patients at December 31, 2014 are as follow:

Medicare	16%
Medicaid	29%
Commercial	18%
Commercial HMO	13%
Medicare HMO	4%
Medicaid HMO	9%
Self-pay and other	11%
	100%

The components of net patient service revenue consist of the following for the year ended December 31, 2014:

Services provided to patients (net of contractual allowances of approximately $625,339)	$ 428,018
Intergovernmental transfer - Federal	88,291
Historic mission - County	13,000
Provision for bad debts	(39,262)
	$ 490,047

The Corporation is paid by third-party payers for patient services rendered generally at negotiated or otherwise predetermined amounts established by the applicable coverage program. For the year ended December 31, 2014, revenue from the Medicaid and Medicare programs accounted for approximately 76% of net revenue for services provided to patients.

Assets Restricted as to Use

Assets restricted as to use consist of cash and money market funds. These may include amounts held by the NHCF and the Captive, restricted for capital and internally-designated for capital, payment of professional and other insurance liabilities, pension liabilities, debt service and amounts held by FPP for FPP-related expenditures. The Board of Directors may authorize the use of internally-designated amounts for other purposes. Amounts required to meet current liabilities are reported as current assets.

Inventories

Inventories, which are prepaid supplies, are carried at the lower of cost or market. Cost is determined by the first-in, first-out valuation method.

Capital Assets

Capital assets are stated at cost, less accumulated depreciation. It is the Corporation's policy to capitalize assets in excess of one hundred dollars that have useful lives of more than one year. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets ranging from three to forty years. The carrying amounts of assets and the related accumulated depreciation are removed from the accounts when such assets are disposed of and any resulting gain or loss is recorded. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets.

Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position that applies to a future period(s) and, as such will not be recognized as an outflow of resources (expense) until then. The Corporation has two items that qualify for reporting in this category. The deferred change in fair value of the interest rate swaps resulting from the accumulated changes in the fair value of a derivative instrument (i.e., interest rate swap) that qualifies for hedge accounting as the derivative instrument is determined to be effective. Under hedge accounting, the change in the fair value of a hedging derivative instrument is reported as a deferred inflow or deferred outflow of resources (see restatement of beginning net position below). The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Accrued Vacation and Sick Pay

The Corporation's employees are permitted to accumulate unused vacation time, sick pay and compensation time up to certain maximum amounts as established by employment contracts. The Corporation accrues the expense related to vested vacation, sick pay and compensation time based on pay rates in effect at year-end.

Professional and Other Insurance Liabilities

Professional and other insurance liabilities, including loss adjustment expenses, represent management's best estimate using case basis evaluations and actuarial analysis. The estimate is based on the ultimate settlement cost of all unpaid losses and loss adjustment expenses incurred through December 31 of each policy year on a discounted basis. The incurred but not reported reserves are estimated with the assistance of an independent actuary.

The ultimate settlement costs of all unpaid losses and loss adjustment expenses are necessarily subject to the impact of future changes in loss severity and other factors. Management believes the liability for losses and loss adjustment expenses is adequate and recognizes the variability inherent in the data used in determining the liabilities. However, there is an absence of a significant amount of experience as to whether the actual incurred losses and loss adjustment expenses will conform to the assumptions inherent in the determination of the liability. Accordingly, the ultimate settlement of losses and the related loss adjustment expenses may vary significantly from the estimated amounts included in the accompanying financial statements, and the differences could be material. The estimates are periodically reviewed and, as adjustments to these liabilities become necessary, they are reflected in current operations.

Interest Rate Swap Agreements

The Corporation's interest rate swap agreements are considered to be derivative instruments and are reported at fair value. The change in fair value of derivative instruments is included in the accompanying statement of net position as a deferred outflow of resources (see Note 5).

Equity Interest in Joint Venture

The Corporation has an ongoing 6% equity interest in Healthfirst, LLC (LLC), a not-for-profit managed care organization sponsored by New York State hospitals. At December 31, 2014, the Corporation's equity interest in the LLC is $15,522 and is recorded in other assets in the statement of net position. The Corporation recorded the increase in its equity interest in the LLC of approximately $51 in other revenues in the statement of revenues, expenses and changes in net position, for the year ended December 31, 2014. The LLC is a non-governmental organization and its separate financial statements are not publically available.

Grants

Grants for specific operating purposes are recorded as other operating revenue in the period in which qualified expenditures are made. Grants for capital asset acquisitions, restricted for purposes of capital expansion, are reported after non-operating activities in the accompanying statement of revenues, expenses and changes in net position.

Income Taxes

NHCC 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.

NHCC's component units are exempt from income tax under Section 501(c)(3) of the Code, except NHCC's for-profit blended component unit, NMA and the Captive. Income taxes of NMA are not material to the financial statements. The Captive has not elected to be treated as a U.S. taxpayer. There is presently no taxation imposed on income or premiums by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Captive has been granted an exemption through June 6, 2020.

Adopted and Recent Accounting Pronouncements

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. GASB 68 also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. In November 2013, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68* ("GASB 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The provisions of these Statements are effective for financial statements for periods beginning after June 15, 2014 and the Corporation will adopt GASB 68 for its year ended December 31, 2015. The Corporation has not completed the process of evaluating the impact of GASB 68 and GASB 71 on its financial statements.

In February 2013, GASB issued Statement No. 70, *Accounting and Financial Reporting for Non-Exchange Financial Guarantees* ("GASB 70"). The objective of this Statement is to improve the comparability of financial statements among governments by requiring consistent reporting by those governments that extend and/or receive non-exchange financial guarantees. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013 and the Corporation has adopted the provisions of GASB 70 effective January 1, 2014. The adoption of GASB 70 did not have any impact on the Corporation's financial statements.

In February of 2015, GASB issued Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). This Statement addresses accounting and financial reporting issues related to fair value measurements. This Statement provides guidance for determining a fair value measurement for financial reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The provisions of the this Statement are effective for financial statements for periods beginning after June 15, 2015 and the Corporation will adopt GASB 72 for its year ended December 31, 2016. The Corporation has not completed the process of evaluating the impact of GASB 72 on its financial statements.

In June of 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* ("GASB 75"). The primary objective of GASB 75 is to improve accounting and financial reporting for postemployment benefits other than pensions and replaces the requirement of GASB Statement No. 45. GASB 75 establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. GASB 75 also identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefits payments to their actuarial present value, and attribute that present value to periods of employee service. The provisions of the this Statement are effective for financial statements for periods beginning after June 15, 2017 and the Corporation will adopt GASB 75 for its year ended December 31, 2018. The Corporation has not completed the process of evaluating the impact of GASB 75 on its financial statements.

In June of 2015, GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* ("GASB 76"). The objective of GASB 76 is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles. The hierarchy consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with generally accepted accounting principles and the framework for selecting those principles. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 and the Corporation will adopt GASB 76 for its year ended December 31, 2016. The Corporation has not completed the process of evaluating the impact of GASB 76 on its financial statements.

(In Thousands)

Restatement of Beginning Net Position

During the 2014 closing process, the Corporation determined that financial statements issued in 2013 and prior were misstated. The 2013 net position was overstated by $26,975, related to over reported patient accounts receivable, and under reported FICA and other payroll liabilities associated with accrued payroll. Also, the Corporation and the Medicare Administrative Contractor (MAC) misreported payments in settlement documents. Further, the Corporation determined that 2013 net position was understated by $27,358 due to improperly classified amounts for its interest rate swap agreements (GASB 53), and the Corporation did not include two component units that are part of its reporting entity. Consequently, beginning net position was restated as follows:

Net position as previously reported at December 31, 2013	$ (387,348)
Cumulative effect related to:	
Third party liability analysis (2013 and prior)	(15,919)
Patient accounts receivable analysis (2013 and prior)	(6,266)
Addition of FICA and other payroll accruals (2013 and prior)	(4,790)
Subtotal	(26,975)
Adoption of GASB 53 (2013 and prior)	24,882
Addition of NMA and LIMF to financial reporting entity (2013 and prior)	2,476
Subtotal	27,358
Net position as restated at January 1, 2014	$ (386,965)

Additionally, cash and cash equivalents as previously reported at December 31, 2013 has been restated to reflect $20,000 in cash that was reclassified from assets restricted as to use to unrestricted cash and cash equivalents, as there are no external restrictions placed on the use of those funds.

3. ASSETS RESTRICTED TO USE

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

Cash and cash equivalents	$ 28,468
Certificates of deposit	1,188
Mutual funds - U.S. securities	17
U.S. Treasury bills	1,350
Total	$ 31,023

Investment income on cash and cash equivalents and restricted cash and cash equivalents consists of interest and dividend income of $149 for the year ended December 31, 2014.

(In Thousands)

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 is as follows:

	2014			
	Beginning balance	Additions	Transfers	Ending balance
Capital assets, not being depreciated:				
Land	$ 12,498	$ -	$ -	$ 12,498
Construction in process	20,682	13,524	(9,361)	24,845
Capital assets, being depreciated:				
Building and improvements	226,731	334	2,423	229,488
Fixed equipment	110,552	482	-	111,034
Land improvements	14,527	14	2,492	17,033
Moveable equipment	171,034	5,012	4,446	180,492
Total capital assets being depreciated	556,024	19,366	-	575,390
Less accumulated depreciation for:				
Building and improvements	(126,059)	(7,597)	-	(133,656)
Fixed equipment	(103,810)	(827)	-	(104,637)
Land improvements	(12,250)	(298)	-	(12,548)
Moveable equipment	(125,265)	(11,910)	-	(137,175)
Total accumulated depreciation	(367,384)	(20,632)	-	(388,016)
Carrying value of all capital assets, net	$ 188,640	$ (1,266)	$ -	$ 187,374

Net interest capitalized for the years ended December 31, 2014 was approximately $887.

5. LONG-TERM DEBT

Long-term debt at December 31, 2014 consists of the following:

2009 Series A (taxable) Bonds payable at varying dates through August 1, 2022; variable rate demand bonds bearing interest at taxable variable rates with an effective average of approximately 0.12% at December 31, 2014	$ 22,110
2009 Series B, C and D Bonds payable at varying dates through August 1, 2029; variable rate demand bonds bearing interest at tax-exempt variable rates with an effective average of approximately 0.07% at December 31, 2014	220,840
	242,950
Current portion	(13,005)
	$ 229,945

(In Thousands)

In April 2009, Series 2009 A (taxable), B, C and D Bonds were issued as variable rate demand bonds ("VRDBs") secured by letters of credit ("LOCs") to redeem the 2004 Series A and 2004 Series C outstanding bank bonds. The bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest on seven days' notice and delivery to the Corporation's remarketing agent. The remarketing agent is authorized to use its best efforts to sell the repurchased bonds at a price equal to 100 percent of the principal amount by adjusting the interest rate. Under irrevocable letters of credit issued by JP Morgan Chase Bank, N.A., Wells Fargo Bank, N.A. and TD Bank, N.A. the trustee or the remarketing agent is entitled to draw an amount sufficient to pay the purchase price of bonds delivered to it. If the remarketing agent is unable to resell any bonds that are "put" after 180 days (Well Fargo and TD Bank LOCs) or 13 months (JP Morgan LOC) of the "put" date, the Corporation has reimbursement agreements with the letter of credit providers to convert the bonds to an installment loan payable over a certain period bearing an adjustable interest rate.

Significant terms of the LOCs and reimbursement agreements are below.

Provider	Expiration Date	Principal Amount Covered Under Facility	Base Interest Rate	Interest Rate on LOC Draws	Maximum Loan Period (Years)	Loan Interest Rate	Annual Fee
Wells Fargo	July 6, 2018	$ 73,205	Greater of Providers bank prime rate plus 2% or Federal Fund rate plus 2% or 8%	Days 1-30 = Base Rate Days 31-180 = Base Rate plus 1%	2.5	Base rate plus 2%	90 basis points
TD Bank	June 30, 2018	$ 83,000	Greater of WSJ Prime Rate or Federal Funds Rate plus 2%	Days 1-45 = Base Rate Days 46-90 = Base Rate plus 1% Days 91-135 = Base Rate plus 1.25% Days 136-180 = Base Rate plus 1.5% However, rate may never be below 6%	5	Greater of base rate plus 2% or 6%	70 basis points
J.P. Morgan	May 15, 2017	$ 86,745	Greater of Prime Rate or 1-month LIBOR plus 2.5% or 7.5%	For A Series Bonds: Day1-120 = Base Day 121 - thereafter = Base plus 1 % For D Series Bonds: Day 1-60 = Base plus 1% Day 60 - thereafter = Base plus 2%	4	Same terms as interest rate on LOC draws	108 basis points

(In Thousands)

If the reimbursement agreement were to be exercised because the entire series of demand bonds were "put" and not remarketed before 180 days with respect to the Series B & C bonds, or 13 months with respect to the Series A & D bonds, the Corporation would be required to pay the following estimated annual amounts (principal and interest) assuming the interest rates that would be in effect at December 31, 2014:

	Wells Fargo Series 2009 C	TD Bank Series 2009 B	J.P. Morgan Series 2009 A & D	Total
2015	$ 1,509	$ 1,147	$ 1,552	$ 4,208
2016	27,688	21,185	12,035	60,908
2017	27,282	20,153	30,523	77,958
2018	24,960	18,996	28,205	72,161
2019	-	17,839	19,633	37,472
2020	-	16,682	-	16,682
	$ 81,439	$ 96,002	$ 91,948	$ 269,389

The Corporation is required to pay to the providers an annual commitment fee for the letter of credit as stated above per annum of the outstanding facility amount. Total letter of credit fees paid in 2014 approximated $1,965.

The County guarantees to the Trustee and the owners of Series 2009 Bonds the full and prompt payment of the principal and interest of the Series 2009 Bonds for the entire term of these bond series. The County has not been called upon to make any payments under the guaranty. The County guaranty may be amended without consent of the bond owners.

In connection with the issuance of the 2009 Bonds, the Corporation incurred a loss of approximately $31,500. The loss on refunding (the difference between the reacquisition price and the net carrying amount of the old debt) is classified as a deferred outflow of resources in the accompanying statement of net position. Amortization of the deferred loss is $2,176 for the year ended December 31, 2014.

Pursuant to the Stabilization Agreement and, subsequently, the Successor Agreement (see Note 6), the County deposits subsidies, payable to the Corporation, in an escrow account reserved for payment of the Series 2009 Bonds.

(In Thousands)

Principal payments on long-term debt are due annually on August 1. Interest payments are due monthly, on the first business day of each month. Estimated future interest payments are calculated using the assumed synthetic fixed rate of interest (3.457%) contemplated as part of the interest rate swap agreements. Payments applicable to long-term debt for years subsequent to December 31, 2014 are as follows:

	Principal	Estimated Interest
2015	$ 13,005	$ 8,654
2016	13,545	8,179
2017	14,115	7,685
2018	14,695	7,168
2019	15,290	6,630
2020 to 2024	82,980	24,308
2025 to 2029	89,320	9,413
	$ 242,950	$ 72,037

In January 2014, the Corporation issued $40,000 of taxable 2014 Revenue Anticipation Notes ("2014 RANs") that were due in January 2015 and secured by scheduled IGT payments and other New York State payments. The 2014 RANs were repaid in full in December 2014.

Interest Rate Swap Agreements

The Corporation uses derivative financial instruments to attempt to manage the cash flow impact of interest rate changes on its cash flows and net position and to mitigate its exposure to certain market risks associated with operations and does not use derivative instruments for trading or speculative purposes.

The Corporation derivative contract was evaluated pursuant to GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments* ("GASB 53") to determine whether it met the definition of a derivative instrument, and if so, whether it effectively hedges the expected cash flows associated with interest rate risk exposures.

The Corporation applies hedge accounting for derivative instruments that are deemed effective hedges and under GASB 53 are referred to as hedging derivative instruments. Under hedge accounting, changes in the fair value of a hedging derivative instrument are reported as a deferred inflow or deferred outflow on the statement of net position until the contract is settled or terminated.

In April of 2009, the Corporation undertook a current refunding of the 2004 Series C bonds. As part of the refunding, the three interest rate swap agreements ("Swaps") were re-assigned to the new underlying 2009 Series B, C and D bonds with essential identical terms except for a change in the interest rate mode from auction rate to weekly variable rate demand bonds. The three Swaps associated with the 2004 Series C bonds were determined to be an effective hedging relationship and, as such, the changes in the fair value of the swap through the refunding date totaling $30,000 were included in the deferred loss on refunding calculation and amortized over the life of the new bonds. The new association of the three Swaps and the 2009 Series B, C and D bonds are considered an effective hedging relationship at December 31, 2014.

All settlement payments or receipts for hedging derivative instruments are recorded as a component of interest expense in the period settled and amounted to approximately $6,800 for the year ended December 31, 2014.

The Corporation's hedging derivative instruments at December 31, 2014 are as follows:

Swap ID	Fair Value December 31, 2014	Net Change in Fair Value	Fair Value December 31, 2013	Type of Hedge	Financial Statement Classification for Changes in Fair Value
1	$ (10,738)	$ (2,430)	$ (8,308)	Cash Flow	Deferred outflow
2	(10,712)	(2,426)	(8,286)	Cash Flow	Deferred outflow
3	(10,712)	(2,426)	(8,286)	Cash Flow	Deferred outflow
	$ (32,162)	$ (7,282)	$ (24,880)		

The terms of the Corporation's financial derivative instrument that was outstanding at December 31, 2014 are summarized in the table below:

Counterparty	Effective Date	Termination Date	NHCC Pays	NHCC Receives	Outstanding Swap Notional (000s)
JP Morgan Chase	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 73,357
Merrill Lynch	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 73,127
UBS AG	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 73,127

The amount of outstanding debt covered by the three interest rate swap agreements totals $220,840 and mature on August 1, 2029.

Fair Values – The fair value of the swap is estimated using the zero-coupon method and also reflects the effect of nonperformance risk. This method calculates the future net settlement payments required by the agreements, assuming the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rate implied by the current relevant yield curve that incorporates the risk of nonperformance of the Corporation, as applicable, on the date of each future net settlement on the agreements.

Credit Risk – As of December 31, 2014, the Corporation was not exposed to credit risk on the swaps with a $32,162 negative fair value. Since changes in interest rates affect the fair value of the swap agreement, it is possible that the swap agreement with a negative fair value becomes positive which would expose the Corporation to credit risk. Should the fair value of the swap become positive, to minimize its exposure to loss related to credit risk, the Corporation has collateral posting provisions included in the Credit Support Annex to the ISDA Agreements. The terms require that the Counterparties post collateral for an amount by which the swap fair value exceeds collateral credit threshold levels which range from $50 million (A1 Moody's and A+ S& P) to $0 (Baa1 Moody's BBB+ S & P or lower).

The unsecured long term debt credit ratings for the Counterparties at December 31, 2014 were as follows.

Counterparty	Moody's	Standard and Poors
JP Morgan Chase	Aa3	A+
Merrill Lynch (Bank of America)	Baa1	A
UBS AG	A2	A

Basis Risk – The Corporation is exposed to basis risk on its pay-fixed interest rate swap because the variable-rate payment received by the Corporation (a percent of LIBOR) on these hedging derivative instruments are based on indexes other than the actual interest rates the Corporation pays on its hedged variable rate debt. Should the relationship between LIBOR and the actual variable rate interest payments on the bonds converge, the expected cost savings may not materialize. The terms of the related hedging fixed rate swap transactions are summarized in the table on the preceding page.

Termination Risk – The Corporation uses the International Swap Dealers Association Master Agreement (Master Agreement), which includes standard termination events, such as failure to pay and bankruptcy. The Corporation or the counterparty may terminate the swap if the other party fails to perform under the terms of the contract. The Corporation may also terminate the swaps at its option. Further, a termination event occurs if the Counterparties credit ratings fall below Baa1 by Moody's and BBB+ by Standard and Poor's or the Counterparties have their ratings withdrawn or suspend. A Swap termination is also triggered if: 1) the swap insurer is rated below A3 by Moody's or below A- by Standard and Poor's and Nassau County is rated below A3 by Moody's or below A- by Standard and Poor's or 2) Nassau County is rated below Baa2 by Moody's or below BBB by Standard and Poor's. If the swap is terminated, the variable-rate mortgage note would no longer carry a synthetic fixed interest rate and the Corporation's interest payment will be based solely upon the rate required by the related debt as issued. When a termination event occurs, a mark-to-market (or fair market value) calculation is performed to determine whether the Corporation is owed money or must pay money to close out a swap position. A negative fair value means the Corporation would incur a loss and need to make a termination payment to settle the swap position. A positive fair value means the Corporation would realize a gain and receive a termination payment to settle the swap position.

(In Thousands)

6. TRANSACTIONS WITH THE COUNTY OF NASSAU

The following amounts are included in the accompanying statement of revenues, expenses and changes in net position, and represent transactions that occurred between the County and the Corporation during the year ended December 31, 2014:

Revenue earned from the County:		
Patient care	$	1,147
Space charges		2,310
Non-patient care		4,994
Health insurance for retiree charges		11,358
Historic mission - County		13,000
		32,809
County pass-through transactions:		
Amounts paid on behalf of the County		1,563
State aid and other amounts collected by the County		964
Total transactions with the County	$	35,336

Payments from the County for patient care, space charges, health insurance for retirees and non-patient care are made to the Corporation through quarterly advances. Non-patient care charges consist of nursing salaries and fringe benefits to provide home health care to eligible Nassau County residents. Payments from the County for patient care, and historic mission are recorded as net patient service revenue in the accompanying financial statements. Payments from the County for space charges, health insurance for retirees and non-patient care are recorded as other operating revenue.

Amounts paid on behalf of the County represent payments made by the Corporation for pension, vacation, sick and termination benefits. Under the terms of the Acquisition Agreement, these benefits, including the health insurance for retiree charges, are to be allocated between the County and the Corporation based on the employees' years of service pre- and post-Acquisition Agreement.

7. RETIREMENT PLANS

Retirement Plan Descriptions

Essentially all NHCC employees are covered by retirement plans of the New York State and Local Employees' Retirement System (the System). The System is a cost-sharing, multi-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 non-contributory 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, 2015 for the 2014-2015 State plan year. Amounts are accrued in NHCC's statement of net position by prorating charges incurred annually for NHCC. The amount outstanding for current contributions as of December 31, 2014 was approximately $30,047 and is included in current portion of accrued pension benefits in the accompanying statements of net position.

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), 3.00 percent (2013), and 3.75 percent (2012) interest, and the portion of their annual bill that exceeded 12.5 percent, 11.5 percent, 10.5 percent of payroll for its 2014, 2013, and 2012 pension bills respectively. The outstanding pension amount being amortized at December 31, 2014 is $30,220.

NHCC's annual pension expense amounted to approximately $39,792, $33,445 and $30,258 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, New York 12244-0001.

8. HEALTH INSURANCE PLAN

Employees of the Corporation are provided health care benefits in accordance with New York State Health Insurance Rules and Regulations administered by the New York State Department of Civil Service (the "NYSHIP plan"). The Corporation's union contract and ordinances require the Corporation to provide all eligible enrollees with either the NYSHIP plan or other equivalent health insurance. The plan offers comprehensive benefits through an indemnity insurance plan with managed care features, consisting of hospital, medical, health, substance abuse and prescription drug programs. For the year ended December 31, 2014, expenses related to health insurance benefits for active and retired employees totaled approximately $60,220.

9. POSTEMPLOYMENT RETIREMENT HEALTHCARE BENEFIT PLAN

Plan Description

Substantially all employees are eligible for health insurance benefits upon retirement from the Corporation. Retirees of the Corporation are provided health care benefits in accordance with the NYSHIP plan. The New York State Department of Civil Service administers the plan and has the authority to establish and amend the benefit provisions offered. The NYSHIP plan, considered an agent multiple-employer defined benefit plan, is not a separate entity or trust and does not issue stand-alone financial statements. The

(In Thousands)

Corporation recognizes postemployment benefits other than pensions ("OPEB") expenses on an accrual basis.

Funding Policy

There are no employee contributions required for the NYSHIP plan. The Corporation contributes, through the County, a proportionate amount of the health insurance premiums for all employees who retire. The Corporation's responsibility is based on the proportion of time the individual was employed by the Corporation compared to the time employed by the County. The Corporation funds such expenditures as incurred. Amounts paid relative to these benefits amounted to approximately $7,988 for the year ended December 31, 2014.

Annual OPEB Cost

The Corporation's annual OPEB cost for the NYSHIP plan is calculated based on the annual required contribution ("ARC"), an amount actuarially determined in accordance with GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

The NYSHIP plan's annual OPEB cost and the related information at December 31, 2014 and 2013 are as follows:

	2014	2013
Annual required contribution	$ 40,057	$ 39,353
Interest on net OPEB obligation	11,935	10,520
Adjustment to ARC	(10,815)	(9,533)
Contributions made (reported in employee benefits - other)	(7,988)	(7,061)
Increase in net OPEB obligation	33,189	33,279
Net OPEB obligation - beginning of year	280,818	247,539
Net OPEB obligation - end of year	$ 314,007	$ 280,818

(In Thousands)

The NYSHIP plan's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation were as follows:

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2014	$ 41,177	19.4 %	$ 314,008
December 31, 2013	40,340	17.5	280,818
December 31, 2012	39,897	15.8	247,539

As of December 31, 2014 and 2013, the actuarial accrued liability for benefits was $402,121 and $368,433, respectively, all of which was unfunded. As of December 31, 2014 and 2013, the covered payroll (annual payroll of active employees covered by the NYSHIP plan) was $166,344 and $161,738, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 242% and 228%, respectively.

The actuarial valuation date is January 1, 2014. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information provides multi-year trend information for the actuarial accrued liability for benefits.

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the December 31, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% discount rate in 2014 and an annual health care cost trend rate of 7.77% in 2014 and grading down to an ultimate rate of 4.25%. The unfunded actuarial accrued liability is being amortized over a rolling 30-year period, as a level percentage of payroll.

10. PROFESSIONAL AND OTHER INSURANCE LIABILITIES

For the policy years ended (or ending) September 29, 2008 to 2014, the Captive issued hospital professional and employee benefits policies on a claims-made basis and commercial general policies on an occurrence basis. The Captive's liability on the hospital professional and employee benefits policies is $7,000 per person ($10,000 for policy years prior to 2008) with no aggregate limit and $1,000 per claim up to an aggregate of $1,000, respectively. An excess buffer limit of $3,000 per person/$3,000 in the aggregate was introduced above the $7,000 per person primary limit on the hospital professional policy for the September 29, 2012 renewal. The liability on commercial general policies is $1,000 per occurrence, except for fire damages, where the limit is $50 for any one fire, and medical payment, where the limit is $5 for any one person, up to an aggregate of $3,000.

(In Thousands)

The Captive is subject to minimum capital requirements as established by the Cayman Islands Monetary Authority (the "Monetary Authority"). The Corporation has committed to fund any shortfalls of capital relative to the minimum statutory requirements and to provide any necessary financial support to the Captive as may be deemed necessary. The Captive's ability to operate is dependent upon such support. In April 2015, the Corporation funded approximately $3,500 to meet the Captive's minimum capital requirements at December 31, 2014.

In 2006, the Captive loaned the Corporation $10,000. The loan is re-payable on demand and has been renewed until December 31, 2015. The loan bears interest at a rate of 5% per annum, payable semiannually. At December 31, 2014, the full loan amount of $10,000 remains outstanding. Additionally, in January 2012, the Captive loaned the Corporation an additional $10,000. The loan is repayable on demand and matures on December 31, 2015. The loan bears interest at a rate of 4% per annum and is payable semiannually. At December 31, 2014, the full loan amount of $10,000 remains outstanding.

The Captive has entered into a note agreement with the Corporation in the amount of $5,500 (the "Note"). The Note is unfunded. The Note is unsecured, non-interest bearing and has no specific terms of repayment. The Captive may cancel the Note at any time. In order to support the ability for the Captive to continue operations, the Captive may call the Note to provide cash flow as the loss reserves develop. The ability of the Captive to receive payment under the Note is dependent on the Corporation's financial strength. The Monetary Authority has indicated that it recognizes the Note as funds available to meet the Captive's minimum statutory requirements for net worth in the Cayman Islands. At December 31, 2014 the Captive was in compliance with its minimum capital requirement due to the funding provided by the Corporation in March 2014.

The Captive's activity in the loss reserves and loss adjustment expenses is summarized as follows:

	2014	2013
Balance at beginning of year	$ 46,649	$ 41,968
Incurred related to:		
Current year	9,927	9,184
Prior years	1,851	3,970
Total incurred	11,778	13,154
Paid relating to:		
Current year	(198)	(186)
Prior years	(3,882)	(8,287)
Total paid	(4,080)	(8,473)
Balance at end of year	$ 54,347	$ 46,649

Losses and loss adjustment expenses for incurred claims for prior years reflect changes in estimates of the ultimate settlement of such losses.

Insurance reserves and the related insurance losses and loss adjustment expenses, recorded through the Captive, have been discounted based on an assumed interest rate of 4% at December 31, 2014 and 2013.

In addition to the insurance coverage purchased from the Captive, the Corporation purchases umbrella and other coverage from commercial insurers. For the years ended December 31, 2014 and 2013, insurance expense totaled $10,156 and $11,789, respectively.

11. COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

Substantially all of the Corporation's employees are union employees who are covered under the terms of a collective bargaining agreement with the Civil Service Employees Association. A contract was ratified in February 2013, effective January 1, 2010. The contract contains no retroactive adjustments to years prior to 2013 and expires on December 31, 2015. Substantively, the agreement calls for two bonus payments, one in 2013 and one in 2014, and a 4% wage increase effective January 1, 2015.

Litigation and Claims

The Corporation is involved in litigation and claims which are not considered unusual to the Corporation's business. It is the opinion of management that such claims will not have a material adverse effect on the accompanying financial statements.

Berger Commission

The Commission on Health Care Facilities in the 21st Century (the "Berger Commission") released its final report on November 28, 2006. The report provides a series of recommendations to right-size and restructure the health care system in New York State. The Berger Commission issued a number of specific recommendations regarding AHP and NUMC. The Berger Commission recommended that AHP downsize to approximately 300 skilled nursing facility beds; that a replacement nursing home be constructed on the Corporation's existing Uniondale campus; that, in conjunction with consolidation within the NUMC facility, AHP's sub-acute services be transferred to the empty floors at NUMC, provided that such sub-acute services continue to be operated by AHP; and that a 150-bed Medicaid assisted living facility and possibly other non-institutional services be added. NUMC has complied with the Berger Commission recommendation to downsize its certified bed capacity from 631 to 530 beds, inclusive of the addition of 73 behavioral health beds.

The Corporation intends to comply with the remainder of the Berger Commission's recommendations, and management continues to work closely with the NYSDOH to provide for their cost-effective implementation. To begin the implementation of the recommendations of the Berger Commission, the Corporation's Board of Directors authorized an initial surrender of 309 skilled nursing facility beds at AHP, while authorizing the surrender of 101 certified inpatient beds at NUMC. The Corporation also filed Certificate of Need Applications ("CONs") with NYSDOH to construct a new facility to replace AHP and to pour the three empty floors at NUMC. To date, the Corporation has poured the three empty floors at NUMC. In addition, NYSDOH has accepted the surrender of 300 skilled nursing facility beds at AHP, reducing its total licensed bed capacity from 889 to 589 skilled nursing facility beds, and 101 certified inpatient beds at NUMC. However, NYSDOH has made no decision regarding the authorized surrender of nine additional beds at AHP or any of the CONs filed by the Corporation that are associated with the Berger Commission's recommendations. The Corporation's Board of Directors continues to assess all feasible options to replace or downsize the current AHP facility. The ultimate effect of these matters on the Corporation's financial statements cannot be estimated presently.

(In Thousands)

12. OTHER OPERATING REVENUE

Other operating revenue consists of the following for the year ended December 31, 2014:

Other non-patient related County billings	$ 16,777
State Aid	15,250
Health Center - LIFQHC staffing reimbursement	11,707
Medical staff housing	1,106
Equity in investment in LLC	51
Cafeteria	551
Rotating residents	892
Parking	713
Clerkship fees	3,215
Anesthesia staffing reimbursement	1,420
Other miscellaneous revenue	3,306
	$ 54,988

13. LONG-TERM LIABILITIES

A schedule of changes in the Corporation's long-term liabilities for 2014 follows:

	Balance December 31, 2013 (as restated)	Additions	Deductions	Balance December 31, 2014	Amounts Due Within One Year
Long-term debt	$ 247,488	$ -	$ (4,538)	$ 242,950	$ 13,005
Self-insurance liability	48,645	11,779	(4,080)	56,344	4,000
Accrued vacation and sick leave	49,731	10,500	(2,690)	57,541	2,690
Third party liabilities	38,801	14,513	(12,497)	40,817	-
Postemployment health insurance	280,818	41,177	(7,988)	314,007	8,000
Accrued pension benefits	56,041	31,066	(26,840)	60,267	33,578
Interest rate swap agreements	24,880	7,282	-	32,162	-
Total noncurrent liabilities	$ 746,404	$ 116,317	$ (58,633)	$ 804,088	$ 61,273

14. SUBSEQUENT EVENTS

In January 2015, the Corporation issued $40,000 of taxable 2015 Revenue Anticipation Notes ("2015 RANs") due in January 2016. The 2015 RANs were issued in anticipation of receipt by the Corporation of Federal IGT payments. The Corporation has pledged certain Medicaid related program payments to be received from the State of New York and certain other funds for the payment of the principal and interest on the 2015 RANs.

REQUIRED SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Schedule of Funding Progress for the Postemployment Retiree Healthcare Plan (Unaudited)
December 31, 2014
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2014	$ -	$ 402,121	$ 402,121	$ -	$ 166,344	242%
January 1, 2013	-	368,433	368,433	-	161,738	228%
January 1, 2012	-	345,319	345,319	-	165,071	209%

SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position (In Thousands)
December 31, 2014

	Operational Divisions				Blended Component Units					
	NUMC	AHP	Health Centers	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
ASSETS										
CURRENT ASSETS										
Cash and cash equivalents	$ 66,735	$ 14,538	$ 2,884	$ -	$ -	$ -	$ -	$ 60	$ -	$ 84,217
Patients accounts receivable, net	37,120	7,393	-	8,905	-	-	-	-	-	53,418
Inventories	7,133	414	-	-	-	-	-	-	-	7,547
Prepaid expenses	1,616	135	78	-	-	221	-	18	-	2,068
Other receivables	1,355	6,009	2	-	-	-	-	-	-	7,366
Due from third-party payors	8,339	-	-	-	-	-	-	-	-	8,339
Investment in NHCC, Ltd.	13,620	-	-	-	-	-	-	-	(13,620)	-
Assets restricted to use, required for current liabilities	-	-	-	2,731	-	-	-	-	-	2,731
Due from County of Nassau, New York	8,232	-	-	-	-	-	-	-	-	8,232
Due from other funds, net	-	52,973	-	-	28,161	-	-	-	(81,134)	-
Total current assets	144,150	81,462	2,964	11,636	28,161	221	-	78	(94,754)	173,918
Assets restricted to use, net	-	-	-	-	23,657	3,663	972	-	-	28,292
Capital assets, net	153,515	23,856	9,776	-	-	17		210	-	187,374
Other assets	22,130	-	604	-	-	-	-	-	-	22,734
Total assets	$ 319,795	$ 105,318	$ 13,344	$ 11,636	$ 51,818	$ 3,901	$ 972	$ 288	$ (94,754)	$ 412,318
DEFERRED OUTFLOWS OF RESOURCES										
Deferred change in fair value of swaps	8,245	1,734	357	-	-	-	-	-	-	10,336
Deferred charge on refunding	30,472	8,365	996	-	-	-	-	-	-	39,833
Total deferred outflows of resources	38,717	10,099	1,353	-	-	-	-	-	-	50,169

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position (In Thousands)
December 31, 2014

	Operational Divisions				Blended Component Units					
	NUMC	AHP	Health Centers	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
					(In Thousands)					
LIABILITIES										
CURRENT LIABILITIES										
Current portion of long-term debt	$ 9,949	$ 2,731	$ 325	$ -	$ -	$ -	$ -	$ -	$ -	$ 13,005
Accounts payable and accrued expenses	34,226	10,169	270	24	115	-	-	4	-	44,808
Accrued salaries and related withholdings	12,835	1,999	217	2,875	-	-	-	-	-	17,926
Current portion of post retirement health insurance liability	6,382	1,367	251	-	-	-	-	-	-	8,000
Current portion of vacation and sick leave	1,937	646	107	-	-	-	-	-	-	2,690
Current portion of self-insurance liability	-	-	-	-	4,000	-	-	-	-	4,000
Current portion of accrued pension benefits	26,095	5,879	1,604	-	-	-	-	-	-	33,578
Unearned revenue	11,708	-	-	-	6,059	-	-	-	(6,059)	11,708
Due to other funds - net	35,021	-	37,393	1,461	1,200	-	-	-	(75,075)	-
Total current liabilities	138,153	22,791	40,167	4,360	11,374	-	-	4	(81,134)	135,715
NONCURRENT LIABILITIES										
Long-term debt	175,908	48,288	5,749	-	-	-	-	-	-	229,945
Estimated liability to third-party payors	22,700	17,595	22	500	-	-	-	-	-	40,817
Estimated postemployment health insurance liability	244,133	52,297	9,577	-	-	-	-	-	-	306,007
Estimated self-insurance liability	1,996	-	-	-	50,348	-	-	-	-	52,344
Estimated fair value of interest rate swap agreements	25,655	5,397	1,110	-	-	-	-	-	-	32,162
Accrued vacation and sick leave	39,507	13,321	2,023	-	-	-	-	-	-	54,851
Accrued pension benefits	20,741	4,672	1,276	-	-	-	-	-	-	26,689
Total liabilities	668,793	164,361	59,924	4,860	61,722	-	-	4	(81,134)	878,530
NET POSITION										
Net investment in capital assets	100,624	9,354	8,653	-	-	-	-	210	-	118,841
Restricted	-	-	-	-	-	1,964	972	-	-	2,936
Unrestricted	(410,905)	(58,298)	(53,880)	6,776	(9,904)	1,937	-	74	(13,620)	(537,820)
Total net position	$ (310,281)	$ (48,944)	$ (45,227)	$ 6,776	$ (9,904)	$ 3,901	$ 972	$ 284	$ (13,620)	$ (416,043)

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Revenues, Expenses and Changes in Net Position
December 31, 2014

	Operational Divisions				Blended Component Units					
	NUMC	AHP	Health Centers	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
OPERATING REVENUE										
Net patient service revenue	$ 409,237	$ 67,658	$ -	$ 25,667	$ -	$ -	$ -	$ -	$ (12,515)	$ 490,047
Other revenue	42,054	577	10,216	-	7,795	6,052	318	881	(12,905)	54,988
Total operating revenues	451,291	68,235	10,216	25,667	7,795	6,052	318	881	(25,420)	545,035
OPERATING EXPENSES										
Salaries	193,262	29,143	4,134	10,663	-	4,606	-	706	-	242,514
Employee benefits - pension	33,960	4,626	765	411	-	-	-	-	-	39,762
Employee benefits - other	66,932	13,094	1,744	-	-	763	-	85	-	82,618
Supplies and other expenses	123,930	14,837	1,226	14,593	12,052	938	347	1,245	(25,420)	143,748
Depreciation and amortization	18,997	914	685	-	-	-	-	36	-	20,632
	437,081	62,614	8,554	25,667	12,052	6,307	347	2,072	(25,420)	529,274
Income (loss) before OPEB expense	14,210	5,621	1,662	-	(4,257)	(255)	(29)	(1,191)	-	15,761
Employee benefits - OPEB	26,478	5,672	1,039	-	-	-	-	-	-	33,189
Operating loss	(12,268)	(51)	623	-	(4,257)	(255)	(29)	(1,191)	-	(17,428)
NONOPERATING ACTIVITIES										
Interest Income	122	14	4	-	902	7	-	-	(900)	149
Interest expense	(9,772)	(3,111)	(409)	-	-	-	-	-	900	(12,392)
Total nonoperating activities, net	(9,650)	(3,097)	(405)	-	902	7	-	-	-	(12,243)
Capital contributions	593	-	-	-	-	-	-	-	-	593
Change in net position	(21,325)	(3,148)	218	-	(3,355)	(248)	(29)	(1,191)	-	(29,078)
Net position, beginning of year (as restated)	(288,956)	(45,796)	(45,445)	6,776	(6,549)	4,149	1,001	1,475	(13,620)	(386,965)
Net position, end of year	$ (310,281)	$ (48,944)	$ (45,227)	$ 6,776	$ (9,904)	$ 3,901	$ 972	$ 284	$ (13,620)	$ (416,043)

See accompanying report of independent certified public accountants.