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, 2018

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

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GRANT THORNTON LLP
757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100
F +1 212 370 4520
S linkd.in/grantthorntonus
twitter.com/grantthorntonus

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Nassau Health Care Corporation

Report on the financial statements

We have audited the accompanying financial statements of the Nassau Health Care Corporation ("NHCC"), a component unit of the County of Nassau, New York, as of and for the year ended December 31, 2018 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 NHCC'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 NHCC'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 respective financial position of Nassau Health Care Corporation as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of matters

Uncertainty Regarding Going Concern

The accompanying financial statements have been prepared assuming that NHCC will continue as a going concern. As discussed in Note 1 to the financial statements, NHCC has experienced recurring operating losses, has a total negative net position of $746,967 at December 31, 2018, and is dependent on the continuation of federal, state and local subsidies, certain of which are scheduled to end or be reduced, and management has stated that substantial doubt exists about NHHC's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 1. The financial statements do not include any adjustments that might result from the outcome of this uncertainty. Our opinion is not modified with respect to this matter.

Adoption of New Accounting Standard

As discussed in Note 2 to the financial statements, in 2018, NHCC adopted Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other matters

Required supplementary information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 8 and the required supplementary information on page 42 and 43 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 an 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. These limited procedures consisted of inquiries of management about the

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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.

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the NHCC's basic financial statements. The accompanying combing information included on the supplemental schedules on pages 45 through 47 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Grant Thornton LLP

New York, New York
June 14, 2019

This Management's Discussion and Analysis (MD&A) of Nassau Health Care Corporation (the "Corporation" or "NHCC") provides an introduction to the basic financial statements for the year ended December 31, 2018. 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.

The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements) present the financial position of NHCC at December 31, 2018, and the changes in its financial position for the year then ended. These financial statements report information about NHCC using accounting methods similar to those used by private-sector companies. The Statements of Net Position includes all of NHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position reflect the 2018 activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report NHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about the year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The notes to the financial statements explain information in the financial statements and provide more detailed data.

(In thousands)

Condensed Financial Information - Net Position

	2018	2017	2018-2017 Dollar Change	2018-2017 Percentage Change
Assets				
Current assets	$ 257,027	$ 191,844	$ 65,183	34 %
Capital assets, net	153,772	152,738	1,034	1 %
Other assets	42,262	73,486	(31,224)	(42)%
Total assets	$ 453,061	$ 418,068	$ 34,993	8 %
Deferred outflows of resources	$ 81,846	$ 75,772	$ 6,074	8 %
Liabilities				
Current liabilities	$ 193,179	$ 208,708	$ (15,529)	(7)%
Long-term portion of debt	172,518	188,037	(15,519)	(8)%
Other long-term liabilities	870,555	647,582	222,973	34 %
Total liabilities	$ 1,236,252	$ 1,044,327	$ 191,925	18 %
Deferred inflows of resources	$ 45,622	$ 11,295	$ 34,327	304 %
Net position				
Net investment in capital assets	$ 99,179	$ 93,747	$ 5,432	6 %
Restricted	1,335	1,433	(98)	(7)%
Unrestricted	(847,481)	(656,962)	(190,519)	29 %
Total net position	$ (746,967)	$ (561,782)	$ (185,185)	33 %

(In thousands)

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

	2018	2017	2018-2017 Dollar Change	2018-2017 Percentage Change
Operating revenues				
Net patient service revenue	$ 471,608	$ 455,290	$ 16,318	4 %
Other revenue	116,005	130,042	(14,037)	(11)%
Total operating revenues	587,613	585,332	2,281	0 %
Operating expenses				
Salaries	267,964	263,197	4,767	2 %
Employee benefits	138,493	132,950	5,543	4 %
Supplies and other expenses	177,595	149,288	28,307	19 %
Depreciation	18,303	19,534	(1,231)	(6)%
	602,355	564,969	37,386	7 %
(Loss) income before OPEB expense, NYS Actuarial Pension Adjustment and Loss on Abandoned Projects	(14,742)	20,363	(35,105)	(172)%
Employee benefits - OPEB	(33,915)	(31,311)	2,604	(8)%
NYS Actuarial Pension Adjustment - GASB 68	2,052	(8,804)	(10,856)	123 %
Loss on abandoned projects	-	(5,976)	(5,976)	100 %
Operating loss	(46,605)	(25,728)	(20,877)	81 %
Nonoperating activities, net	(11,413)	(13,180)	1,767	(13)%
Capital contributions	4,767	-	4,767	100 %
Decrease in net position	(53,251)	(38,908)	14,343	(37)%
Net position				
Beginning of year	(561,782)	(522,874)	(38,908)	7 %
GASB 75 adoption adjustment - January 1, 2018	(131,934)	-	(131,934)	100 %
End of year	$ (746,967)	$ (561,782)	$ (185,185)	33 %

Financial Analysis of the Corporation (in thousands of dollars)

For the years ended December 31, 2018 and 2017, the NHCC generated (loss) income before Other Postemployment Benefits ("OPEB"), NYS Actuarial Pension Adjustment and Loss on Abandon Projects of ($14,742) and $20,363, respectively. While operating revenues increased by $2,281 to $587,613, due primarily to increases in disproportionate share payments, which is funded through the intergovernment transfers ("IGT"), the increase was offset by reduced state aid and Delivery System Reform Incentive Payment ("DSRIP") revenues. In addition, operating expenses increased by $37,386 to $602,355, due primarily to increases in pension and OPEB expenses as well as increases in self-insurance liabilities.

Going Concern

Nassau Health Care Corporation has experienced recurring operating losses, has a total negative net position of $746,967 at December 31, 2018, and is dependent on the continuation of federal, state and local subsidies, certain of which are scheduled to end or be reduced. These matters raise substantial doubt about NHCC's ability to continue as a going concern. NHCC is continuously striving to improve its operating results by continuing to progress with collecting on patient accounts, through cash flows provided by government subsidies for the funding of capital projects and by participating in the Delivery System Reform Incentive Program and certain other value based payment programs. NHCC has also undertaken a number of initiatives including the renegotiation of commercial managed care contracts, changes to medical management practices, improved supply chain, inventory management, rightsizing of personnel and further cost reductions. In addition, in April 2019, the Corporation's Board of Directors approved an agreement with Northwell Health. Under the agreement, Northwell Health will provide operational management assistance and will develop a five-year strategic plan for NUMC and AHP, as well as make recommendations for improving financial performance. A Northwell Health Senior Vice President is now the President and CEO of the Corporation.

Operating Activities

Net Patient Service Revenue

Total net patient service revenue was $471,608 and $455,290 for the years ended December 31, 2018 and 2017, respectively, an increase of $16,318 in 2018. IGT revenue in 2018 was $84,573 which was $30,939 above the 2017 amount of $53,634. A reduction in net patient service revenue due primarily to lower in-patient volume, offset this increase.

Other Operating Revenue
Other operating revenue of $ $116,005 and $130,042 in 2018 and 2017, respectively, represent a decrease of $14,037. This decrease includes reductions in state aid ($10,090) and Delivery System Reform Incentive Payment ("DSRIP") and value based/quality revenues ("VBP/QIP") ($22,119). These decreases were offset by an increase in non-patient related County billings ($18,308) due primarily to a full year's operation of the County Correctional Facility in 2018 compared to four months operation in 2017.

Expenses
Total operating expenses before OPEB, NYS Actuarial Pension Adjustment and loss on abandoned projects expenses were $602,355 and $564,969 for the years ended December 31, 2018 and 2017, respectively. Expenses increased from 2017 to 2018 by $37,386. A description of the component categories follows.

Salaries in 2018 of $267,964 increased $4,767 from the 2017 salary expense of $263,197. The increase was the result of an increase in FTEs for services at the Correctional Facility for a full year in 2018 compared to four months in 2017, offset by lower salary expense due to reduced patient service volumes.

Employee benefit costs, before OPEB and NYS Actuarial Pension Adjustment expenses were $138,493 and $132,950 in 2018 and 2017, respectively. Increases in health benefit costs drove the majority of the increase of $5,544 in 2018.

Supplies and other expenses were $177,595 and $149,288 in 2018 and 2017, respectively, an increase of $28,307. The increase was due to an increase in self-insurance liabilities due to increases in estimated settlement costs as well as increases in pharmaceutical and temporary staffing agency costs.

Pension and OPEB
In 2018, the Corporation recorded a NY State Actuarial Pension Adjustment—GASB 68 credit of $2,052 compared to an expense of $8,804 in 2017. The Corporation also recorded an unfunded other postemployment benefit expense of $33,915 and $31,311 in 2018 and 2017, respectively. The costs for these plans are actuarially calculated based on plan benefits that current and retired employees have accrued as a result of their respective years of employment service.

Capital Assets
During 2018 and 2017, the Corporation purchased $19,337 and $8,141 in capital assets, respectively and incurred $18,303 and $19,534 in depreciation expense.

Debt
During 2018 and 2017, the Corporation made principal and interest payments of $25,227 and $25,859, 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, New York 11554.

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

		December 31, 2018
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$	5,478
Patient accounts receivable, net		38,535
Inventories		8,791
Prepaid expenses		1,775
Other receivables		88,454
Due from third-party payors		10,484
Assets restricted as to use, required for current liabilities		74,093
Due from Nassau County		29,417
Total current assets		257,027
Assets restricted as to use, net		12,044
Capital assets - net		153,772
Other assets		30,218
Total assets	$	453,061
DEFERRED OUTFLOWS OF RESOURCES		
Deferred change in fair value of interest rate swaps	$	271
Deferred charge on refunding		26,008
Pension and OPEB related		55,567
Total deferred outflows of resources	$	81,846
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$	15,458
Accounts payable and accrued expenses		104,146
Accrued salaries and related withholdings		18,482
Current portion of post retirement health insurance liability		15,886
Current portion of vacation and sick leave		6,926
Current portion of estimated self-insurance liability		12,397
Current portion of accrued pension benefits		12,218
Current portion of estimated liability to third-party payors, net		3,984
Other current liabilities		2,908
Accrued interest payable		774
Total current liabilities		193,179
Long-term debt		172,518
Estimated liability to third-party payors, net		72,357
Estimated post retirement health insurance liability		583,574
Estimated self-insurance liability		82,798
Estimated fair value of interest rate swap agreements		16,111
Accrued vacation and sick leave		62,335
Accrued pension benefits		53,380
Total liabilities	$	1,236,252
DEFERRED INFLOWS OF RESOURCES		
Pension and OPEB related	$	45,622
Total deferred inflows of resources	$	45,622
Commitments and contingencies		
Net position		
Net investment in capital assets	$	99,179
Restricted		1,335
Unrestricted		(847,481)
Total net position	$	(746,967)

See accompanying notes to the basic financial 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, 2018
OPERATING REVENUE		
Net patient service revenue (net of the provision for bad debts of $55,749)	$	471,608
Other revenue		116,005
Total operating revenues		587,613
OPERATING EXPENSES		
Salaries		267,964
Employee benefits - pension and OPEB		43,503
Employee benefits - other		94,990
Supplies and other expenses		177,595
Depreciation and amortization		18,303
		602,355
Loss before OPEB expenses		(14,742)
Employee benefits - OPEB expenses		(33,915)
NYS Actuarial Pension Adjustment - GASB 68		2,052
Operating loss		(46,605)
NONOPERATING ACTIVITIES		
Interest income		579
Interest expense		(11,992)
Total nonoperating activities, net		(11,413)
Capital contributions		4,767
Decrease in net position		(53,251)
Beginning of year		(561,782)
GASB 75 adoption adjustment - January 1, 2018		(131,934)
End of year	$	(746,967)

See accompanying notes to the basic financial statement.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Statement of Cash Flows
(In thousands)

	Years Ended December 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from patients, third-party payors and other related payments	$ 500,000
Cash received from other operating revenue	94,926
Cash paid to employees	(404,016)
Cash paid to suppliers	(162,818)
Net cash from operating activities	28,092
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES	
Cash paid for interest	(6,138)
Payment of debt	(14,912)
Net cash used in noncapital and related financing activities	(21,050)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of capital assets	(19,337)
Cash paid for interest, net of amounts capitalized	(3,473)
Grants for capital asset acquisitions	4,767
Net cash used in capital and related financing activities	(18,043)
CASH FLOWS FROM INVESTING ACTIVITIES	
Net change in restricted cash and cash equivalents	(5,201)
Cash received from interest	579
Net cash used in investing activities	(4,622)
Net decrease in cash and cash equivalents	(15,623)
Cash and cash equivalents, beginning of year	21,101
Cash and cash equivalents, end of year	$ 5,478
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:	
Operating loss	$ (46,605)
Depreciation and amortization	18,303
Changes in operating assets and liabilities	
Patient accounts receivable	(1,466)
Prepaid expenses and inventories	(693)
Other receivables and assets	(21,083)
Due from Nassau County	(10,655)
Accounts payable and accrued expenses	5,555
Accrued salaries, withholding, pensions, vacation, sick pay and other	(21,391)
Due to/from third-party payors, net	29,860
Estimated self-insurance liability	20,568
Postemployment health insurance liability	55,699
Net cash from operating activities	$ 28,092

See accompanying notes to the basic financial statement.

1. ORGANIZATION

The Nassau Health Care Corporation (d/b/a NuHealth) ("NHCC", or the "Corporation") is a public benefit corporation created pursuant to Public Authorities Law 3401, *et. seq.* ("PAL") by New York State ("State") in 1996 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 or have an interdependent relationship.

- Nassau Health Care Foundation, Inc. ("NHCF"): NHCF was incorporated on June 24, 1964 as a type B membership corporation under the N-PCL. Prior to December 2014, the members of the Board of Directors of NHCC were automatically members of the NHCF Board of Directors. In December 2014, the NHCC Board members resigned and new independent NHCF Board members were appointed. 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.

- 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 one employee. 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).

- Newco ALP, Inc. ("NewCo"): NewCo was formed as a 501(c)(3) 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. 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 has had no operating activities since its formation.

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 six treatment centers and two school-based clinics, previously operated solely by NHCC. 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 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 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 "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.

Going Concern

NHCC has experienced recurring operating losses, has a total negative net position of $746,967 at December 31, 2018, and is dependent on the continuation of federal, state and local subsidies, certain of which are scheduled to end or be reduced. These matters raise substantial doubt about NHCC's ability to continue as a going concern. NHCC is continuously striving to improve its operating results by continuing to progress with collecting on patient accounts, through cash flows provided by government subsidies for the funding of capital projects and by participating in the Delivery System Reform Incentive Program and the VPB-QIP Program (see Notes 2 and 6). NHCC has also undertaken a number of initiatives including the renegotiation of commercial managed care contracts, changes to medical management practices, improved supply chain, inventory management, rightsizing of personnel and further cost reductions. In addition, in April 2019, the Corporation's Board of Directors approved an agreement with Northwell Health. Under the agreement, Northwell Health will provide operational management assistance and will develop a five-year strategic plan for NUMC and AHP, as well as make recommendations for improving financial performance. A Northwell Health Senior Vice President is now the President and CEO of the Corporation.

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, NHCC, Ltd., and NewCo). 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 net position 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 net position consists of 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.

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 pension 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 are promulgated by the New York State Department of Health ("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 as those years are final settled.

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 2015. 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. The New York State Universal Settlement with nursing homes resulted in settlement of this case, as well as all other pending reimbursement appeals by A. Holly Patterson, in exchange for an allocation of Universal

Settlement proceeds to A. Holly Patterson in the total amount of $13,895, of which $11,500 was allocated to this case. Under the terms of the universal settlement, payments will be made in installments over five years.

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 $33,300 for the year ended December 31, 2018. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled $9,320 for the year ended December 31, 2018.

Intergovernmental Transfers

The 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 2018 was approximately $84,600. Under the Affordable Care Act, DSH was to be decreased significantly over time for all DSH qualified hospitals in the country. However, since the passage of the Act in 2010, Congress has consistently delayed the DSH reductions. The reductions are now scheduled to begin on October 1, 2019, unless further delayed by Congress at that time. It is uncertain whether Congress will enact another delay.

During 2018, NHCC received approximately $53,800 from the NYSDOH relating to additional DSH payments applicable to 2017 and certain prior years. However, NUMC has determined that a portion of the amounts received were overpaid due to an issue relating to the calculation of the payments. NUMC is in the process of quantifying the overpayment but cannot reasonably estimate the amount of the overpayment at this time. Accordingly, the additional DSH payments are included in long-term, estimated liability to third-party payors at December 31, 2018.

Delivery System Reform Incentive Program and VBP QIP Program

The Corporation is leading one of the twenty-five Performing Provider Systems ("PPS") in New York State that are implementing the Delivery System Reform Incentive Program ("DSRIP"). This PPS, known as the Nassau Queens Performing Provider System, LLC ("NQP"), was established and is owned by the Corporation and two other New York health systems. NQP is expected to receive up to $536 million over the five-year life of the DSRIP Program, which commenced April 1, 2015 and is scheduled to end March 31, 2020, subject to the satisfaction of program milestones that are measured at various stages of the DSRIP Program. In 2018, the Corporation recognized $33,343 which is included in Other Operating Revenue in the accompanying statements of revenues, expenses and changes in net position. At December 31, 2018, $19,405 related to DSRIP was accrued in other current receivables, all of which was collected subsequent to year-end. The DSRIP Program goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

(In thousands)

In connection with the state of New York Value Based Payment "VBP" and Quality Incentive Payment "QIP" Program, the Corporation was awarded a net amount of $20,000 for its participation in the program, applicable to the award year April 1, 2017 through March 31, 2018. Accordingly, the Corporation recognized $5,000 in other operating revenue and other current receivables of $6,500 related to this program in 2018. The VBP QIP program assists New York hospitals in financial distress and enables these facilities to maintain operations and vital services while they work toward longer-term sustainability, improved quality, and alignment with the state's VBP and QIP initiatives.

Concentration of Credit Risk

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, 2018 are as follow:

	2018
Medicare	12 %
Medicaid	36 %
Commercial	11 %
Commercial HMO	18 %
Medicare HMO	6 %
Medicaid HMO	8 %
Self-pay and other	9 %
	100 %

The components of net patient service revenue consist of the following for the year ended December 31, 2018:

	2018
Services provided to patients (net of contractual allowances of approximately $778,612), respectively	$ 442,784
Intergovernmental transfer	84,573
Provision for bad debts	(55,749)
	$ 471,608

The Corporation is paid by third-party payors for patient services rendered generally at negotiated or otherwise predetermined amounts established by the applicable coverage program. For the year ended December 31, 2018, revenue from the Medicaid and Medicare programs accounted for approximately 62% 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 and Inflows 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. Deferred inflows of resources represent an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The Corporation's items that qualify for reporting in this category include: 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, the amounts recorded in connection with GASB Statement No. 68, Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27 and the amounts recorded in connection with GASB Statement No 75, Financial Reporting for Postemployment Benefits other than Pension. 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. 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. 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, 2018, the Corporation's equity interest in the LLC is $17,201 and is recorded in other assets in the statement of net position. In 2018, the Corporation received distributions of $1,258 and recorded an increase in its equity interest in the LLC of approximately $2,009 which is included in other revenue in the statement of revenues, expenses and changes in net position for the year ended December 31, 2018. The LLC is a non-governmental organization and its separate financial statements are not publically available.

In addition, $10,811 is included in other assets at December 31, 2018 which is related to retained payments due from the LLC.

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 for the Captive. 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

Effective January 1, 2018, NHCC adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB 75). GASB 75 improved accounting and financial reporting by the state and local governments for postemployment benefits other than pensions (other postemployment benefits). GASB 75 requires the liability of employers for defined benefit OPEB (net OPEB liability) to be measured as the portion of the present value of the projected benefit payments to be provided to active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position. The effect of the adoption of GASB 75 was a $131,934 reduction of net position.

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"). GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in GASB 83. The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2018. NHCC does not believe that this statement will have a material impact on its financial statements.

In June 2017, GASB issued Statement No. 86, *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of GASB 86 are effective for reporting periods beginning after December 15, 2019. NHCC has not evaluated the effect of GASB 86 on its financial statements.

In March 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt*. The objective of this statement is to improve the consistency of information presented in the footnotes to the financial statements with respect to long-term debt, and to distinguish it from other long-term liabilities in applying disclosure requirements. In addition to defining debt as a liability that arises from a contractual obligation to make payments to settle an amount that is fixed at the date of the contractual obligation is established, the statement also requires disclosure of unused lines of credit, assets pledged as collateral and information related to default or termination events. The requirements of GASB No. 88 are effective for reporting periods beginning after June 15, 2018. NHCC does not believe that this statement will have a material impact on its financial statements.

(In thousands)

In June 2018, GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period.* This statement improves financial reporting by providing users with more relevant information about capital assets and costs of borrowing. For NHCC, the statement will no longer permit interest to be capitalized before the end of a construction period but instead, will require that interest costs be recognized as an expense in the period incurred. The requirements of GASB No. 89 are effective for reporting periods beginning after December 15, 2019. NHCC has not evaluated the effect of GASB No. 89 on its financial statements.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests—an Amendment of GASB Statements No. 14 and No. 61.* The intent of this statement is to improve consistency and comparability of reporting major equity interests in legally separate organizations. The statement defines an equity interest as a financial interest in a legally separate organization through ownership of shares of the organization or by having explicit, measurable rights to the net resources of that organization. Equity interests meeting the definition of an investment, as defined by GASB No. 72, shall be accounted for using the equity method. Equity interests not meeting the definition of an investment are to be reported as a component unit. The requirements of GASB No. 90 are effective for reporting periods beginning after December 15, 2019. NHCC has not evaluated the effect of GASB No. 90 on its financial statements.

3. ASSETS RESTRICTED TO USE

Assets restricted to use at December 31, 2018 consist of the following:

	2018
Cash and cash equivalents	$ 75,771
Certificates of deposit	8,892
U.S. Treasury bills	1,474
Total	$ 86,137

Investment income on cash and cash equivalents and restricted cash and cash equivalents consists of interest income of $579 for the year ended December 31, 2018 and is included in nonoperating activities.

NHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2018, NHCC's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows:

(In thousands)

2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
Cash and cash equivalents	$ 75,771	$ -	$ 75,771
Certificates of Deposit	-	8,892	8,892
U.S. Treasury bills	-	1,474	1,474
	$ 75,771	$ 10,366	$ 86,137

4. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	2018			
	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,498	$ -	$ -	$ 12,498
Construction in process	13,333	12,853	(8,550)	17,636
Capital assets, being depreciated:				
Building and improvements	250,451	-	-	250,451
Fixed equipment	111,220	436	-	111,656
Land improvements	17,130	-	-	17,130
Moveable equipment	197,642	14,598	(632)	211,608
Total capital assets being depreciated	602,274	27,887	(9,182)	620,979
Less accumulated depreciation for:				
Building and improvements	(157,103)	(7,793)	-	(164,896)
Fixed equipment	(106,873)	(675)	-	(107,548)
Land improvements	(13,538)	(247)	-	(13,785)
Moveable equipment	(172,022)	(9,588)	632	(180,978)
Total accumulated depreciation	(449,536)	(18,303)	632	(467,207)
Carrying value of all capital assets, net	$ 152,738	$ 9,584	$ (8,550)	$ 153,772

(In thousands)

Net interest capitalized for the year ended December 31, 2018 was approximately $704.

5. LONG-TERM DEBT

Long-term debt at December 31, 2018 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 1.98% at December 31, 2018	$	12,555
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 1.41% at December 31, 2018		175,035
Other		386
		187,976
Current portion		15,458
Long-term portion	$	172,518

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% of the principal amount by adjusting the interest rate. Under irrevocable letters of credit issued by JPMorgan 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 Series 2009B or Series 2009C bonds that are "put" after 180 days (Well Fargo and TD Bank LOCs) or 1 year for Series 2009A and 2009D (JP Morgan LOCs) 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.

(In thousands)

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 - Series C	9/30/2019	$ 57,770	Greater of Providers bank prime rate plus 2% or Federal Funds rate plus 3% or 8%	Days 1-30 = Base Rate Days 31-180 = Base Rate plus 1%	3.5	Base Rate plus 2%	70 basis points
TD Bank - Series B	6/28/2019	$ 66,520	Greater of WSJ Prime Rate of 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%	5.5	Greater of base rate plus 2% or 6%	70 basis points
JP Morgan - Series D	11/15/2019	$ 50,745	Greater of Prime Rate or 1-month LIBOR plus 2.5% or 7.5%	Days 1-60 = Base Rate plus 1% Days 61 - thereafter = Base Rate plus 2%	1	Same terms as interest rate on LOC draws	85 basis points
JP Morgan - Series A	11/15/2019	$ 12,555	Greater of Prime Rate or 1-month LIBOR plus 2.5% or 7.5%	Days 1-60 = Base Rate plus 1% Days 61 - thereafter = Base Rate plus 2%	1	Same terms as interest rate on LOC draws	85 basis points

If the reimbursement agreements were to be exercised because the entire series of demand bonds were "put" on September 1, 2019 and not remarketed before 180 days with respect to the Series B & C bonds, or 1 year with respect to the Series A & D bonds, the Corporation would be required to pay the following estimated annual amounts (principal and interest) using the LOC banks' interest rates and terms in effect on December 31, 2018:

	Wells Fargo Series 2009 C	TD Bank Series 2009 B	J.P. Morgan Series 2009 A & D	Total
2019	$ 1,160	$ 927	$ 1,258	$ 3,345
2020	18,818	15,543	61,117	95,478
2021	18,739	14,846	-	33,585
2022	17,209	14,051	-	31,260
2023	8,031	13,257	-	21,288
2024	-	12,463	-	12,463
2025	-	2,992	-	2,992
	$ 63,957	$ 74,079	$ 62,375	$ 200,411

(In thousands)

The Corporation is required to pay to the providers an annual commitment fee for the letter of credit as stated above per annum on the outstanding facility amount. Total letter of credit fees paid in 2018 approximated $1,545.

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 Guaranty cannot be amended without the consent of the trustee (on behalf of the holders of the Bonds) and the letter of credit providers.

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 $1,779 for the year ended December 31, 2018.

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

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 of 3.457% for series 2009B, C and D contemplated as part of the current interest rate swap agreements, and the initial assumed synthetic fixed rate of interest of 4.61% for series 2009A under its prior swap agreement. Payments applicable to long-term debt for years subsequent to December 31, 2018 are as follows:

	Principal	Estimated Interest
2019	$ 15,458	$ 6,630
2020	15,910	6,069
2021	16,565	5,484
2022	17,725	4,874
2023	16,185	4,221
2024 to 2028	87,007	12,426
2029	18,740	648
Other	386	-
	$ 187,976	$ 40,352

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 essentially 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, 2018.

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 $3,732 for the year ended December 31, 2018.

The Corporation's hedging derivative instruments at December 31, 2018 are as follows:

Swap ID	Fair Value December 31, 2018	Net Change in Fair Value	Type of Hedge	Financial Statement Classification for Changes in Fair Value
1	$ (5,359)	$ 1,650	Cash Flow	Deferred outflow
2	(5,376)	1,647	Cash Flow	Deferred outflow
3	(5,376)	1,647	Cash Flow	Deferred outflow
	$ (16,111)	$ 4,944		

The terms of the Corporation's financial derivative instruments that were outstanding at December 31, 2018 are summarized in the table below:

2018					
Counterparty	Effective Date	Termination Date	NHCC Pays	NHCC Receives	Outstanding Swap Notional (000s)
JPMorgan Chase	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 59,188
Merrill Lynch	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 59,048
UBS AG	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 59,048

The amount of outstanding debt covered by the three interest rate swap agreements totals $177,284 as of December 31, 2018 and matures 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 - This is the risk that a counterparty will not fulfill its obligations. As of December 31, 2018 the Corporation has zero credit risk, because the mark-to-market of the swaps are all negative. 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 International Swap Dealers Association 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, 2018 were as follows.

Counterparty	Moody's	Standard and Poors	Fitch
JPMorgan Chase	Aa2	A+	AA
Merrill Lynch (Bank of America)	A3	A-	A+
UBS AG	Aa3	A+	AA-

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 diverge, 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 suspended. 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

(In thousands)

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.

6. TRANSACTIONS WITH THE COUNTY OF NASSAU

The following amounts are included in the accompanying statements 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, 2018:

Revenue earned from the County:	
Patient care	$ 3,186
Space charges	1,576
Non-patient care	28,171
Health insurance for retiree charges	13,614
	46,547
County pass-through transactions:	
Amounts paid on behalf of the County	1,449
State aid and other amounts collected by the County	1,527
Total transactions with the County	$ 49,523

Non-patient care charges include nursing salaries and fringe benefits to provide medical assessment and case management services for Nassau County residents receiving benefits through the Department of Social Services. For 2018, it also includes approximately $20,250 in charges for administrative and operating costs to manage on-site medical services for inmates at the Nassau County Correctional Center, pursuant to a contract between NHCC and Nassau County effective September 1, 2017. 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

Defined Benefit Plans

The New York State Comptroller's Office administers the New York State and Local Employers' Retirement System ("ERS") for which NHCC is a participating employer. The net position of ERS is held in the New York State Common Retirement Fund (the "Fund"), which was established to hold all assets and record changes in fiduciary net position allocated to ERS.

The Comptroller of the State of New York serves as the trustee of the Fund and is the administrative head of ERS. ERS benefits are established under the provisions of the New York State Retirement and Social Security Law ("RSSL"). Once a public employer elects to participate in ERS, the election is irrevocable. The New York State Constitution provides that pension membership is a contractual relationship and plan benefits cannot be diminished or impaired. Benefits can be changed for future members only by enactment of a State statute.

ERS is a cost-sharing, multiple employer defined benefit pension plan. ERS is included in the New York State financial statements as a pension trust fund. The Public Employees' Group Life Insurance Plan ("GLIP") provides death benefits in the form of life insurance. Amounts related to GLIP have been apportioned to ERS. Separately issued financial statements for ERS can be accessed on the State Comptroller's website at www.osc.state.ny.us/pension/CAFR.htm.

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. The plan provides a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate which is determined annually by the State Comptroller and the average contribution rate for the fiscal year ended March 31, 2018 was approximately 12% of payroll. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010 benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS.

Net Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of ERS's published financial statements and actuarial valuations as of March 31, 2018 (Measurement Date).

(In thousands)

NHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the year ended December 31, 2018 are as follows:

Proportionate share of the net pension liability		
Amount	$	23,266
Percentage		0.7208838%
Prior year percentage		0.7301460%
Deferred outflows of resources	$	28,921
Deferred inflows of resources	$	40,759
Net pension expense	$	29,612

NHCC's proportionate share of ERS's net pension liability is consistent with the manner in which contributions to ERS are determined. ERS computed each employer's projected long-term contribution effort to ERS as compared to the total projected long-term contribution of all employers to ERS.

The components of pension related deferred outflows of resources and deferred inflows of resources at the Measurement Date are as follows:

		2018
Deferred outflows of resources		
Differences between expected and actual experience	$	8,299
Changes in proportion and differences between employer contributions and proportionate share of contributions		5,195
Change in assumptions		15,427
Total	$	28,921
Deferred inflows of resources		
Differences between expected and actual experience	$	6,857
Net difference between projected and actual investment earnings on pension plan investments		32,910
Changes in proportion and difference between employer contributions and proportionate share of contributions		992
Total	$	40,759

(In thousands)

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be reflected as revenues or (expenses), in the statement of revenues, expenses, and changes in net position as follows:

2019	$ 6,465
2020	4,776
2021	(15,787)
2022	(7,291)
Net of deferred outflows and inflows - amortized	$ (11,837)

Actuarial Assumptions

NHCC's net pension liability at the Measurement Date was determined by using an actuarial valuation as of April 1, 2017, with update procedures used to roll forward the total pension liability to March 31, 2018. The 2018 actuarial valuations used the following actuarial assumptions:

Actuarial cost method	Aggregate Cost Method
Inflation rate	2.50%
Salary increases	3.8% indexed by service
Investment rate of return, including inflation	7% compounded annually, net of investment expenses
Cost of living adjustments	1.3% annually
Decrements	Developed from the 2015 experience study for the period April 1, 2010 through March 31, 2015
Mortality improvement	Society of Actuaries Scale MP-2014

Long-Term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined in accordance with Actuarial Standard of Practice ("ASOP") No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations*. ASOP No. 27 provides guidance on the selection of an appropriate assumed investment rate of return. Consideration was given to expected future real rates of return (expected returns, net of pension plan investment expense and inflation) for equities and fixed income as well as historical investment data and plan performance. Best estimates of arithmetic real rates of return for each major asset class including target asset allocation at the Measurement Date are summarized below:

(In thousands)

	2018	
	ERS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	36 %	4.55 %
International equity	14	6.35
Private equity	10	7.50
Real estate	10	5.55
Absolute return strategies	2	3.75
Opportunistic portfolio	3	5.68
Real assets	3	5.29
Bonds and mortgages	17	1.31
Cash	1	(0.25)
Inflation-Indexed Bonds	4	1.25
	100 %	

The 2018 real rate of return is net of the long-term inflation assumption of 2.50%

Discount Rate

The discount rate used to calculate the total pension liability was 7% at December 31, 2018. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

(In thousands)

Discount Rate Sensitivity

NHCC's proportionate share of the net pension liability calculated using the respective discount rate, as well as what NHCC's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate are as follows:

	2018	
	Rate	**Amount**
1% decrease	6%	$ 176,037
Current discount rate	7%	23,266
1% increase	8%	(105,972)

Deferred Pension Contributions

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 2.85% (2018), 2.33% (2017), 3.21% (2016), 3.15% (2015), 3.67% (2014) and 3.00% (2013) interest, the portion of their annual bill that exceeded 14.9%, 15.1%, 14.5%, 13.5%, 12.5% and 11.5% of payroll for its 2018, 2017, 2016, 2015, 2014 and 2013 pension bills, respectively. Total amount due at December 31, 2018 related to these deferred pension contributions is approximately $42,332, of which $5,020 is included in current liabilities and $37,312 included as part of other long-term liabilities, (See Note 13).

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, 2018, expenses related to health insurance benefits for active and retired employees totaled approximately $78,826.

9. POSTEMPLOYMENT RETIREMENT HEALTHCARE BENEFIT PLAN

Substantially all employees are eligible for health insurance benefits upon retirement from the Corporation, subject to years of service requirements. Eligible 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 Corporation recognizes postemployment benefits other than pensions ("OPEB") expenses on an accrual basis.

(In thousands)

There are no post retirement employee contributions required for the NYSHIP plan. The Corporation contributes 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. Subsequent to the date of the actuarial valuation (December 31, 2017), during 2018, the Corporation paid approximately $14,397 relative to these benefits, all of which is included in deferred outflows in the statement of net position as of December 31, 2018.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, including assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contribution of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. The Corporation's actuarial valuation was performed on December 31, 2017 and reported a net OPEB liability of $599,460 as of December 31, 2018.

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

The following employees were covered by the benefit terms at the measurement date as of December 31, 2017:

Retired employees	2,494
Active employees	1,620
	4,114

Total OPEB Liability

The Corporation's total OPEB liability at the measurement was determined by using an actuarial valuation as of December 31, 2017 using the following actuarial assumptions:

Inflation rate	3.5% per year
Salary increases	3.5% per year
Discount rate	3.44% per year

(In thousands)

Healthcare cost trend rates	Pre-Medicare: 2.75% to 3.50%; Medicare: -6.84% to 3.50%
Rate of Mortality	MP-2014 Factor

The following table shows the components of the Corporation's annual OPEB cost for the year ended December 31, 2018, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Balance at December 31, 2017	$ 555,350
Changes for the year:	
Service cost	25,187
Interest cost	21,727
Differences between expected and actual experience	(5,864)
Changes in assumptions	14,649
Benefit payments	(11,589)
Net change	44,110
Balance at December 31, 2018	$ 599,460

Discount Rate

The discount rate used to calculate the total post retirement liability was 3.44% for the year ended December 31, 2018. The discount rate was based upon the 20-year bond buyer rate as published by the Bond Buyer 20-Bond GO Index.

Discount Rate Sensitivity

The Corporation's total OPEB liability calculated using the respective discount rate, as well as what the OPEB liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rate as of December 31, 2018 follows:

	2018	
	Rate	**Amount**
1% decrease	2.44%	$ 700,293
Current discount rate	3.44%	599,460
1% increase	4.44%	518,163

(In thousands)

Healthcare Cost Trend Rate Sensitivity

The Corporation's total OPEB liability calculated using the respective discount rate, as well as what the OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1% lower or 1% higher than the current rate as of December 31, 2018 is as follows:

	2018	
	Rate	**Amount**
1% decrease	1.00%	$ 506,341
Healthcare cost trend rate	0.00%	599,460
1% increase	1.00%	718,118

OPEB Expense and Deferred Inflows of Resources

For the year ended December 31, 2018, the Corporation recognized OPEB expense of $48,313. The components of post retirement related deferred outflows of resources and deferred inflows of resources at the measurement dates are as follows:

	2018
Deferred outflows of resources	
Changes in assumptions	$ 12,249
Contributions subsequent to measurement date	14,397
	$ 26,646
Deferred inflows of resources	
Differences between expected and actual experience	$ 4,863
	$ 4,863

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

2019	$ 1,400
2020	1,400
2021	1,400
2022	1,400
2023	1,785
Thereafter	-

(In thousands)

10. PROFESSIONAL AND OTHER INSURANCE LIABILITIES

For the policy years ended September 29, 2007 to 2018, the Captive issued hospital professional and employee benefits policies on a claims-made basis and commercial general liability 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. During 2015, the Captive entered into a commutable agreement with the Corporation, initiating a $1,000 deductible limit on all open claims as of December 31, 2015. 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 2006, the Captive loaned the Corporation $10,000. The loan was repayable on demand and had been renewed until December 31, 2019. The loan charged interest at a rate of 5% per annum, payable semiannually. Additionally, in January 2012, the Captive loaned the Corporation an additional $10,000. The loan was repayable on demand and matured on December 31, 2018. The loan charged interest at a rate of 4% per annum and was payable semiannually. In January 2018, the Cayman Islands Monetary Authority approved the return of capital of $20,000 to NHCC. Although no amounts were repaid, the outstanding loans were settled as a return of capital to NHCC.

At December 31, 2018, the Captive was in compliance with its minimum capital requirement.

In April of 2016, the respective boards of NHCC and NHCC, Ltd., the Captive, agreed to make certain changes to the Insurance Program as follows: NHCC would have, retain and be responsible for the first $1,000 of losses for all hospital professional liability claims made from 1999 to the present, and would have, retain and be responsible for the first $1,000 of losses for all hospital professional liability claims on a going forward basis. NHCC Ltd., would be responsible for reimbursing NHCC under the terms and conditions of hospital's professional liability excess coverage attaching at $1,000 for all open claims from 1999 and forward.

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

	2018
Balance at beginning of year	$ 25,827
Incurred related to	
Current year	19,668
Total incurred	19,668
Paid related to	
Prior years	4,200
Balance at end of year	$ 41,295

(In thousands)

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, are recorded on an undiscounted basis at December 31, 2018.

In addition to the insurance coverage purchased from the Captive, the Corporation purchases umbrella and other coverage from commercial insurers. For the year ended December 31, 2018 insurance expense totaled $954.

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 July 2016, effective January 1, 2016, and expired on December 31, 2018. The Corporation is currently in the process of negotiating a new agreement with the union.

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.

12. OTHER OPERATING REVENUE

Other operating revenue consists of the following for the year ended December 31, 2018:

	2018
Other non-patient related County billings	$ 43,361
State aid	11,514
Health Center - LIFQHC staffing reimbursement	1,847
Medical staff housing	928
Equity in investment in LLC	2,009
Cafeteria	544
Rotating residents	458
Parking	608
Clerkship fees	2,171
DSRIP	33,343
VBP/QIP	5,000
Anesthesia staffing reimbursement	1,759
Other miscellaneous revenue	12,463
	$ 116,005

(In thousands)

13. LONG-TERM LIABILITIES

A schedule of changes in the Corporation's long-term liabilities for 2018 follows:

	Balance December 31, 2017	Additions	Deductions	Balance December 31, 2018	Amounts Due Within One Year
Long-term debt	$ 202,888	$ -	$ (14,912)	$ 187,976	$ 15,458
Self-insurance liability	74,627	27,532	(6,964)	95,195	12,397
Accrued vacation and sick leave	67,906	28,059	(26,704)	69,261	6,926
Third-party liabilities	35,997	50,285	(9,941)	76,341	3,984
Postretirement health insurance	411,827	202,031	(14,398)	599,460	15,886
Accrued pension benefits	111,587	29,612	(75,601)	65,598	12,218
Interest rate swap agreements	21,081	-	(4,970)	16,111	-
Total noncurrent liabilities	$ 925,913	$ 337,519	$ (153,490)	$ 1,109,942	$ 66,869

REQUIRED SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Required Supplementary Information (Unaudited)
December 31, 2018
(In thousands)

Schedule of Funding Progress - Other Postemployment Benefits

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, 2018	$ -	$ 599,460	$ 599,460	-	$ 174,353	344%
January 1, 2017	-	526,194	526,194	-	174,353	302%
January 1, 2016	-	458,704	458,704	-	165,687	277%
January 1, 2015	-	446,364	446,364	-	160,084	279%
January 1, 2014	-	402,121	402,121	-	166,344	242%

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Required Supplementary Information (Unaudited)
December 31, 2018
(In thousands)

Schedule of Proportionate Share of the Net Pension Liability - Last 10 Years*

Reporting Fiscal Year (Measurement Date, March 31,)	Corporation's Proportion of the Net Pension Liability %	Corporation's Proportion of the Net Pension Liability $	Corporation's Covered Employee Payroll	Corporation's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2015 (2015)	0.775%	$ 26,166	$ 197,147	13.27%	97.90%
2016 (2016)	0.720%	$ 115,578	$ 209,773	55.10%	90.70%
2017 (2017)	0.730%	$ 68,606	$ 217,123	31.60%	94.70%
2018 (2018)	0.721%	$ 23,266	$ 220,450	10.55%	98.24%

Schedule of Employer Contributions - Last 10 Years*

Reporting Fiscal Year	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Corporation's Covered Employee Payroll	Contributions as a Percentage of Employee Covered Payroll
2015	$ 37,630	$ 30,890	$ 6,740	$ 197,147	15.67%
2016	$ 37,232	$ 33,979	$ 3,253	$ 209,773	16.20%
2017	$ 37,785	$ 34,897	$ 2,888	$ 217,123	16.07%
2018	$ 37,550	$ 36,711	$ 839	$ 220,450	16.65%

* These schedules are intended to show information for 10 years. Additional years will be displayed as they become available.

SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position
As of December 31, 2018
(In thousands)

	Operational Divisions			Blended Component Units				
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Eliminations	Total
ASSETS								
CURRENT ASSETS								
Cash and cash equivalents	$ 13,144	$ 1,254	$ -	$ -	$ -	$ -	$ (8,920)	$ 5,478
Patients accounts receivable, net	23,335	10,089	5,122	-	-	-	(11)	38,535
Inventories	8,653	138	-	-	-	-	-	8,791
Prepaid expenses	1,664	100	-	11	-	-	-	1,775
Other receivables	88,449	5	-	-	-	-	-	88,454
Due from third-party payors	7,815	2,669	-	-	-	-	-	10,484
Assets restricted to use, required for current liabilities	35,361	7,441	3,008	28,283	-	-	-	74,093
Due from Nassau County	26,163	3,254	-	-	-	-	-	29,417
Due from other funds, net	(44,465)	26,751	2,173	-	-	-	15,541	-
Total current assets	160,119	51,701	10,303	28,294	-	-	6,610	257,027
Assets whose use is limited, net of current portion	-	-	-	-	10,709	1,335	-	12,044
Capital assets - net	137,388	16,384	-	-	-	-	-	153,772
Other assets	28,796	-	-	1,346	76	-	-	30,218
Total assets	326,303	68,085	10,303	29,640	10,785	1,335	6,610	453,061
DEFERRED OUTFLOWS OF RESOURCES								
Deferred change in fair value of swaps	226	45	-	-	-	-	-	271
Deferred charge on refunding	21,644	4,364	-	-	-	-	-	26,008
Pension related	40,057	15,510	-	-	-	-	-	55,567
Total deferred outflows of resources	61,927	19,919	-	-	-	-	-	81,846

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
As of December 31, 2018
(In thousands)

	Operational Divisions			Blended Component Units				
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Eliminations	Total
LIABILITIES								
CURRENT LIABILITIES								
Current portion of long-term debt	$ 12,199	$ 3,259	$ -	$ -	$ -	$ -	$ -	$ 15,458
Accounts payable and accrued expenses	89,393	14,666	13	128	(54)	-	-	104,146
Accrued salaries and related withholdings	13,326	2,148	3,008	-	-	-	-	18,482
Current portion of post retirement health insurance liability	13,171	2,715	-	-	-	-	-	15,886
Current portion of vacation and sick leave	5,351	1,575	-	-	-	-	-	6,926
Current portion of self-insurance liability	12,397	-	-	-	-	-	-	12,397
Current portion of accrued pension benefits	10,575	1,643	-	-	-	-	-	12,218
Current portion of estimated liability to third-party payors	3,984	-	-	-	-	-	-	3,984
Other current liabilities	15,434	(12,526)	-	(15,230)	-	-	15,230	2,908
Interest payable	3,385	163	-	(2,774)	-	-	-	774
Total current liabilities	179,215	13,643	3,021	(17,876)	(54)	-	15,230	193,179
NONCURRENT LIABILITIES								
Long-term debt	136,257	36,261	-	-	-	-	-	172,518
Estimated liability to third-party payors	68,441	3,416	500	-	-	-	-	72,357
Estimated postemployment health insurance liability	483,860	99,714	-	-	-	-	-	583,574
Estimated self-insurance liability	41,503	-	-	41,295	-	-	-	82,798
Estimated fair value of interest rate swap agreements	13,408	2,703	-	-	-	-	-	16,111
Accrued vacation and sick leave	48,173	14,162	-	-	-	-	-	62,335
Accrued pension benefits	46,202	7,178	-	-	-	-	-	53,380
Total liabilities	1,017,059	177,077	3,521	23,419	(54)	-	15,230	1,236,252
DEFERRED INFLOWS OF RESOURCES								
Pension related	31,749	13,873	-	-	-	-	-	45,622
Total deferred inflows of resources	31,749	13,873	-	-	-	-	-	45,622
NET POSITION								
Net investment in capital assets	89,127	10,052	-	8,920	-	-	(8,920)	99,179
Restricted	-	-	-	-	-	1,335	-	1,335
Unrestricted	(749,705)	(112,998)	6,782	(2,699)	10,839	-	300	(847,481)
Total net position	$ (660,578)	$ (102,946)	$ 6,782	$ 6,221	$ 10,839	$ 1,335	$ (8,620)	$ (746,967)

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
For the year ended December 31, 2018
(In thousands)

	Operational Divisions			Blended Component Units				
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Eliminations	Total
OPERATING REVENUE								
Net patient service revenue	$ 404,816	$ 52,693	$ 28,064	$ -	$ -	$ -	$ (13,965)	$ 471,608
Other revenue	113,289	623	-	5,406	9,201	388	(12,902)	116,005
Total operating revenues	518,105	53,316	28,064	5,406	9,201	388	(26,867)	587,613
OPERATING EXPENSES								
Salaries	218,167	33,136	11,851	-	4,724	86	-	267,964
Employee benefits - pension	39,646	3,796	-	-	61	-	-	43,503
Employee benefits - other	77,530	16,448	452	-	553	7	-	94,990
Supplies and other expenses	153,324	13,277	15,761	39,819	1,888	393	(46,867)	177,595
Depreciation and amortization	17,435	865	-	-	3	-	-	18,303
	506,102	67,522	28,064	39,819	7,229	486	(46,867)	602,355
Income (loss) before OPEB expense	12,003	(14,206)	-	(34,413)	1,972	(98)	20,000	(14,742)
Employee benefits - OPEB	(28,000)	(5,915)	-	-	-	-	-	(33,915)
NYS Actuarial Pension Adjustment - GASB 68	1,693	359	-	-	-	-	-	2,052
Loss on abandoned project costs	-	-	-	-	-	-	-	-
Operating (loss) income	(14,304)	(19,762)	-	(34,413)	1,972	(98)	20,000	(46,605)
NONOPERATING ACTIVITIES								
Interest income	172	1	-	406	-	-	-	579
Interest expense	(8,890)	(3,151)	-	49	-	-	-	(11,992)
Total nonoperating activities, net	(8,718)	(3,150)	-	455	-	-	-	(11,413)
Capital contributions	4,767	-	-	-	-	-	-	4,767
Change in net position	(18,255)	(22,912)	-	(33,958)	1,972	(98)	20,000	(53,251)
Net position, beginning of year	(532,818)	(57,605)	6,782	40,179	8,867	1,433	(28,620)	(561,782)
GASB 75 adoption adjustment - January 1, 2018	(109,505)	(22,429)	-	-	-	-	-	(131,934)
Net position, end of year	$ (660,578)	$ (102,946)	$ 6,782	$ 6,221	$ 10,839	$ 1,335	$ (8,620)	$ (746,967)

See accompanying report of independent certified public accountants.