OFFICIAL STATEMENT

NEW ISSUE—BOOK ENTRY ONLY

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings, and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). In the further opinion of Bond Counsel, interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Notes. See "TAX MATTERS."

NASSAU HEALTH CARE CORPORATION

$40,000,000 REVENUE ANTICIPATION NOTES, 2015

Dated: Date of Delivery **Due: January 15, 2016**

Interest Rate: 2.25% **Yield: 1.20%** **CUSIP: 63167N BL 9**

The Notes are special obligations of the Nassau Health Care Corporation (the "Corporation"), for the payment of which the Corporation has pledged certain Medicaid related program payments to be received from the State of New York as more fully described herein. In addition, the Corporation has covenanted to utilize certain other funds to satisfy payment of the Notes in the event such pledged amounts are insufficient therefor.

Interest on the Notes is payable at maturity and shall be calculated on the basis of a 360-day year consisting of twelve 30-day months.

The Notes are not a debt of either the State of New York or the County of Nassau and neither the State nor the County shall be liable thereon, nor shall the Notes be payable out of any funds other than those of the Corporation. The Corporation has no taxing power. See "THE NOTES" herein**.**

Each purchaser, by placing an order for the purchase of the Notes, will be deemed to have acknowledged that Ramirez & Co., Inc. and the Corporation are relying on the representations and warranties made by purchasers of the Notes so that the offering may qualify for the limited offering exemption set forth in Section (d)(1) of Securities and Exchange Commission Rule 15c2-12. Each purchaser will be deemed to have made to Ramirez & Co., Inc. and the Corporation the representations and warranties set forth herein under the caption "Representations and Warranties by Investors" and the sale of the Notes to each purchaser is made in reliance on such representations and warranties

The purchase and ownership of the Notes involve certain investment risks. See "Risk Factors" herein. Prospective purchasers of the Notes are advised to read this Official Statement in its entirety.

The Notes have not been and will not be registered under the Securities Act of 1933, as amended (the "Securities Act") or registered or qualified under any applicable state securities laws. The Notes are being offered only to "Qualified Institutional Buyers" (within the meaning of Rule 144A under the Securities Act). Accordingly, the Notes will not be transferable except upon satisfaction of certain conditions as described under "Representations and Warranties by Investors" herein.

The Notes will be issued in registered form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Notes. Purchases will be made in book-entry-only form in minimum denominations of $100,000 and $5,000 multiples thereafter. Purchasers will not receive physical certificates representing their ownership interest in the Notes. Principal and interest will be paid by the Bank of New York Mellon, as Fiscal Agent, to DTC which will in turn remit same to its Participants as described herein, for subsequent distribution to the beneficial owner of the Notes.

The Notes are offered when, as and if issued and received by the Underwriter and subject to the approval of the legality thereof by Orrick, Herrington & Sutcliffe LLP, New York, New York, Bond Counsel. Certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, New York, New York, as counsel to the Underwriter. It is anticipated that the Notes will be available for delivery through the facilities of DTC in New York, New York on or about January 28, 2015.

January 26, 2015

RAMIREZ & CO., INC.

No dealer, broker, salesman or other person has been authorized by the Corporation to give any information or to make any representations other than those contained in this Official Statement; and if given or made, such other information or representations must not be relied upon as having been authorized by the Corporation. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

The Corporation has reviewed this Official Statement. The Corporation shall certify as of the dates of sale and delivery of the Notes that the Official Statement does not contain any untrue statements of a material fact and do not omit to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading. Certain information set forth herein has been obtained by the Corporation from sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation since the date hereof.

Public Financial Management, Inc. as Financial Advisor has not been engaged to and has not made any independent investigation of the accuracy or completeness of any financial information respecting the Corporation which is included in this Official Statement or which was otherwise examined by the Financial Advisor. All such information was supplied by the Corporation and its other professionals and has not been verified by the Financial Advisor. The Financial Advisor's exclusive engagement has been to advise the Corporation on the likely financial consequences under present market circumstances of various financial actions based exclusively upon assumptions and data furnished by the Corporation and its other professionals, and the Financial Advisor has assumed no responsibility with respect to the reasonableness or accuracy of any such assumptions or information. The Financial Advisor disclaims any implication that the Financial Advisor can be deemed to represent that the narrative and financial information in this Official Statement is complete or accurate.

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THE NOTES HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, NOR HAVE THE PROCEEDINGS OF THE CORPORATION BEEN QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACTS. ADDITIONALLY, WHILE THE NOTES MAY BE EXEMPT FROM THE REGISTRATION AND QUALIFICATION PROVISIONS OF THE SECURITIES LAWS OF THE VARIOUS STATES, SUCH EXEMPTION CANNOT BE REGARDED AS A RECOMMENDATION OF THE NOTES. NEITHER THE STATES NOR ANY OF THEIR AGENCIES HAVE PASSED UPON THE MERITS OF THE NOTES OR THE ACCURACY OR COMPLETENESS OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

Certain of the information contained herein represents or is based upon forward-looking statements or information. The Corporation believes that such statements and information are based upon reasonable estimates and/or assumptions. However, forward-looking statements and information are inherently uncertain, and actual events or results may differ from those projected. Therefore, undue reliance should not be placed on such forward-looking statements and information.

IN CONNECTION WITH THE OFFERING OF THE NOTES, THE UNDERWRITER MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF SUCH NOTES AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

CUSIP data herein is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. The CUSIP number listed is being provided solely for the convenience of the holders of the Notes only at the time of issuance of the Notes and the Corporation makes no representation with respect to such number or undertakes any responsibility for its accuracy now or at any time in the future. The CUSIP number is subject to being changed after the issuance of the Notes as a result of various subsequent actions including, but not limited to, a refunding in whole or in part or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of the Notes.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the Federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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OFFICIAL STATEMENT

of the

NASSAU HEALTH CARE CORPORATION

Relating to

$40,000,000 REVENUE ANTICIPATION NOTES, 2015

Dated: Date of Delivery **Due: January 15, 2016**

INTRODUCTION

This Official Statement, which includes the cover page and appendices, has been prepared by the Nassau Health Care Corporation (the "Corporation"), in the State of New York (the "State"), and provides certain information in connection with the sale by the Corporation of $40,000,000 principal amount of Revenue Anticipation Notes, 2015, dated the date of delivery and due on January 15, 2016 (the "Notes").

THE NOTES

The Notes are being issued to provide monies to offset a cash flow mismatch expected to occur due to a delay in the Corporation's receipt of certain Medicaid payments in 2015. (See "Security For The Notes" herein.)

The Notes will be issued in anticipation of receipt by the Corporation of two types of certain Medicaid related program payments, as further described herein, in connection with operations at the Nassau University Medical Center (the "Pledged Payments") which are processed through the State. The total amount of such Pledged Payments estimated to be paid to the Corporation for its 2015 fiscal year and available to repay the Notes is approximately $56.4 million. The Corporation does not have any notes or bonds outstanding issued in anticipation of such Pledged Payments for its 2015 fiscal year.

The Notes have been authorized and are to be issued pursuant to the laws of the State and a resolution adopted by the Board of Directors of the Corporation, and other related proceedings and determinations. The Nassau County Interim Finance Authority ("NIFA") has approved the issuance of the Notes.

The Notes will be special obligations of the Corporation, and will be issued, bear interest, mature and be payable as described on the cover page of this Official Statement and herein. Interest on the Notes will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Notes have been duly authorized and, when executed and delivered, will constitute legal, valid and binding obligations of the Corporation. The Corporation has pledged the Pledged Payments to be received by it in 2015 for the payment of the principal of and interest on the Notes.

Each Note, when duly issued and paid for, will constitute a contract between the Corporation and the holder thereof.

Medicaid Payments

The Corporation receives funding from the federal government for Medicaid eligible expenditures. A portion of such federal funding relates to the New York State disproportionate share hospital program ("DSH") funded using the intergovernmental transfer process ("IGT"). DSH is designed to assist certain public benefit hospitals in fulfilling their mission of providing health care services to the Medicaid and the uninsured population. The IGT mechanism can be used for other federal and state funding programs.

The DSH-IGT amount is based upon a formula that calculates losses on Medicaid and the uninsured from the Corporation's cost report each year, commonly known as the disproportionate share calculation. The federal government funds half of the DSH-IGT amount and Nassau County and/or the Corporation funds the other half. The portion of the DSH-IGT amount funded by Nassau County and/or the Corporation is referred to herein as the Local Share Payment. The portion of the DSH-IGT amount funded by the federal government is referred to herein as the Federal Payments. In order to process Federal Payments the Local Share Payment must be provided to the State which then aggregates the Local Share Payment with the applicable Federal Payment and sends the combined amount to the Corporation.

The Corporation's anticipated DSH-IGT payments for fiscal year 2015 relating to the operation of the Nassau University Medical Center ("NUMC") are $90 million of which $45 million is the Federal Payments. Only the Federal Payments will constitute Pledged Payments. Historically the DSH-IGT payments were paid to the Corporation at various times during the year commencing in March of each year. The Corporation was notified in 2010 that going forward such DSH-IGT payments will be delayed until at least October of each year creating a mismatch between expenditures and revenues.

The amount of Federal Payments budgeted and received each year by the Corporation for each of the last five fiscal years are set forth below. The Corporation is generally able to conservatively budget Federal Payments due to the use of prior year data in determining the amount of such payments. The factors which affected the variance between budgeted and actual Federal Payments in 2010 and 2011 have now been resolved as a result of clarification recently provided by the State Department of Health. Amounts received reflect prior period adjustments. The Corporation expects the budgeted and actual Federal Payments in 2015 to match.

FEDERAL PAYMENTS BUDGETED AND RECEIVED BY THE CORPORATION (000s)

Fiscal Year	Budgeted	Received
2014	$45,040	$52,563
2013	42,305	43,147
2012	33,579	51,581
2011	59,089	53,253
2010	56,893	48,551

Indigent Care Adjustment

Another category of Medicaid payments that the Corporation receives consists of the indigent care adjustment ("ICA Payments"). ICA Payments are made by the State Department of Health and paid to hospitals treating a disproportionate share of Medicaid patients.

These payments are generally received by the Corporation in four equal quarterly installments usually in February, April, July and October. Historically the amounts received by the Corporation were unchanged. However, on January 22, 2015, the Corporation received a letter from the New York State Department of Health stating that the ICA payment for the period January to March 2015 is scheduled to be made on January 28, 2015 in the amount of $5,714,257. This first quarter payment for 2015 is approximately $866,000 less than prior quarterly payments. The Department of Health has informed the Corporation that this will be the new quarterly payment amount for 2015.

The amount of ICA Payments budgeted and received by the Corporation for each of the last five fiscal years are set forth below. **Only the last two quarterly installments of ICA Payments, which are now expected to be approximately $11.4 million, are pledged toward payment of the Notes**. Such ICA Payments are the second category of Pledged Payments.

ICA PAYMENTS BUDGETED AND RECEIVED BY THE CORPORATION (000s)

Fiscal Year	**Budgeted**	**Received**
2014	$26,319	$26,319
2013	26,319	26,319
2012	26,319	26,319
2011	26,319	26,319
2010	26,319	26,319

Pledged Payments

The Pledged Payments, the investments thereof and the proceeds of such investments, are hereby pledged for the payment of the principal of and interest on the Notes. This pledge shall be valid and binding from and after the date of issuance of the Notes, and the Pledged Payments, the investments thereof and the proceeds of such investments hereby pledged shall immediately be subject to the lien of such pledge without any physical delivery thereof or further act, and the lien of such pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Corporation, irrespective of whether such parties have notice thereof.

Pledged DSH-IGT and ICA Cash Receipts by month (000's):

	June	July	Aug	Sept	Oct	Nov	Dec	TOTAL
DSH-IGT - NUMC					48,551			48,551
ICA		6,580			6,579			13,159
Total 2010 Actual		6,580			55,130			61,710
DSH-IGT - NUMC				9,418		43,835		53,253
ICA		6,580			6,579			13,159
Total 2011 Actual		6,580		9,418	6,579	43,835		66,412
DSH-IGT - NUMC				3,602		5,674	42,305	51,581
ICA		6,580			6,579			13,159
Total 2012 Actual		6,580		3,602	6,579	5,674	42,305	64,740
DSH-IGT - NUMC						20,000	23,147	43,147
ICA			6,580			6,579		13,159
Total 2013 Actual			6,580			26,579	23,147	56,306
DSH-IGT - NUMC							52,563	52,563
ICA	6,580				6,579			13,159
Total 2014 Actual	6,580				6,579		52,563	65,722
DSH-IGT - NUMC							45,226	45,226
ICA*		6,580			6,579			13,159
Total 2015 Budget		6,580			6,579		45,226	58,385

*Total 2015 Budget represents budgeted amounts as approved by the Corporation's Board on December 17, 2014 (included herein as Appendix D). See "Indigent Care Adjustment" herein as to reduction of such Pledged ICA payments to $11.4 million for 2015.

Lockbox Mechanism

The Federal Payments when received back from the State of New York and the last two quarterly installments of ICA Payments will be immediately transferred to the Bank of New York Mellon (the "Fiscal Agent") and deposited into a separate account (the "Account") to be used solely for payment of the principal and interest on the Notes pursuant to a Fiscal Agency Agreement dated as of January 15, 2015 between the Corporation and the Fiscal Agent. Once the amount in the Account equals the amount of the principal of the Notes plus accrued interest to maturity of the Notes, no further transfers of Federal Payments and/or ICA Payments will be required from the Corporation.

In the event Pledged Payments are not sufficient to satisfy the maturing principal of and interest on the Notes by December 30, 2015, the Corporation is required to provide the Fiscal Agent written evidence from the State that sufficient Federal Payments will be paid prior to the maturity of the Notes to satisfy such payment. Otherwise, the Corporation is required to deposit on December 31, 2015 other available funds into the Account to satisfy this deficiency.

Default

In the event there are insufficient funds available to pay principal of and interest on the Notes at maturity, the following shall apply (i) if sufficient funds are available to pay interest, interest shall be paid, (ii) if there are insufficient funds to pay interest, interest shall be paid pro-rata to Note Owners, (iii) if there are funds available after paying interest, they shall be applied to principal pro-rata among Note Owners. The interest rate on the Notes which remain unpaid at maturity shall convert to 12% per annum until paid.

Recent Revenue Anticipation Notes

The Corporation has previously issued revenue anticipation notes against the receipt of Medicaid Payments as set forth below. All such notes have been paid when they matured.

On June 8, 2010 the Corporation issued $50,000,000 revenue anticipation notes against the receipt of certain federal Medicaid payments relating solely to the operation of the Nassau University Medical Center.

On March 24, 2011 the Corporation issued $55,000,000 revenue anticipation notes against the receipt of certain federal Medicaid payments relating solely to the operation of the Nassau University Medical Center and the A. Holly Patterson Nursing Home.

On February 16, 2012, the Corporation issued $40,000,000 revenue anticipation notes against the receipt of certain federal Medicaid payments relating solely to the operation of the Nassau University Medical Center.

On January 17, 2013, the Corporation issued $40,000,000 revenue anticipation notes against the receipt of certain federal Medicaid payments relating solely to the operation of the Nassau University Medical Center.

On January 30, 2014, the Corporation issued $40,000,000 revenue anticipation notes against the receipt of certain federal Medicaid payments relating solely to the operation of the Nassau University Medical Center.

Book-Entry-Only System

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Note certificate will be issued and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission.

Purchases of Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC's records. The ownership interest of each actual purchaser of each Note ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Notes with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Notes; DTC's records reflect only the identity of the Direct Participants to whose accounts such Notes are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Note documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption proceeds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Corporation, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Notes held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, or the Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Fiscal Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Notes at any time by giving reasonable notice to the Corporation. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

The Corporation may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered.

Source: DTC

The information in the above section concerning DTC and DTC's book-entry system has been obtained from sources that the Corporation believes to be reliable, but the Corporation takes no responsibility for the accuracy thereof.

NEITHER THE CORPORATION NOR THE FISCAL AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (II) THE PAYMENT BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OF, OR PREMIUM, IF ANY, OR INTEREST ON THE NOTES; (III) ANY NOTICE WHICH IS PERMITTED OR REQUIRED TO BE GIVEN TO NOTEHOLDERS; OR (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS NOTEOWNER.

THE CORPORATION AND THE FISCAL AGENT CANNOT AND DO NOT GIVE ANY ASSURANCES THAT DTC WILL DISTRIBUTE TO DIRECT PARTICIPANTS OR THAT DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL DISTRIBUTE TO THE BENEFICIAL

OWNERS OF THE NOTES (I) PAYMENTS OF THE PRINCIPAL OF, OR INTEREST OR PREMIUM, IF ANY, ON THE NOTES, (II) CONFIRMATION OF THEIR OWNERSHIP INTEREST IN THE NOTES; OR (III) NOTICES SENT TO DTC OR CEDE & CO., AS NOMINEE, AS REGISTERED OWNER OF THE NOTES, OR THAT THEY WILL DO SO ON A TIMELY BASIS, OR THAT DTC, DIRECT PARTICIPANTS OR INDIRECT PARTICIPANTS WILL SO SERVE AND ACT IN THE MANNER DESCRIBED IN THIS OFFICIAL STATEMENT.

Certificated Notes

DTC may discontinue providing its services with respect to the Notes at any time by giving notice to the Corporation and discharging its responsibilities with respect thereto under applicable law, or the Corporation may terminate its participation in the book-entry-only system of transfers through DTC at any time. In the event that such book-entry-only system is discontinued the Notes will be issued in registered form in minimum denominations of $100,000 and $5,000 multiples thereafter.

Representations and Warranties by Investors

Each investor that purchases a Note (each an "Investor") will be deemed to have represented, warranted and agreed as follows:

(a) It is a Qualified Institutional Buyer ("QIB") as defined in Rule 144A of the Securities Act and has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of an investment in the Notes. It has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision and the investor is able to bear the economic risks of such an investment for an indefinite period of time and can afford a complete loss of such investment.

(b) Such Investor is acquiring its Notes for its own account for investment and with no present intention of selling or transferring the Notes or any portion thereof in connection with any distribution thereof, in whole or in part, and such Investor has no present intention of selling, granting any participation in, or otherwise distributing, the Notes.

(c) Neither such Investor nor anyone acting on its behalf has (i) offered, pledged, sold, disposed of or otherwise transferred the Notes, any interest in the Notes or any other similar security to any Person in any manner, (ii) solicited any offer to buy or accepted a pledge, disposition or other transfer of the Notes, any interest in the Notes or any other similar security from any Person in any manner, (iii) otherwise approached or negotiated with respect to the Notes, any interest in the Notes or any other similar security with any Person in any manner, (iv) made any general solicitation by means of general advertising or in any other manner, or (v) taken any other action, that (in the case of any of the acts described in clauses (i) through (iv) above) would constitute a distribution of the Notes under the Securities Act, would render the disposition of the Notes a violation any state securities law or would require registration or qualification of the Notes pursuant thereto. It will not act, nor has it authorized or will it authorize any Person to act, in any manner set forth in the foregoing sentence with respect to the Notes, any security issued in exchange therefor or in lieu thereof or any interest in the foregoing.

(d) Such Investor understands that (i) the Notes have not been nor will be registered under the Securities Act or registered or qualified under any applicable state securities laws and are being sold in reliance on exemptions from the registration requirements of the Securities Act, (ii) notwithstanding any provision hereof to the contrary, the Notes may be transferred only if registered or qualified, as appropriate, under applicable state securities laws or is exempt from registration or qualification, as appropriate, pursuant to applicable state securities laws.

(e) Such Investor has reviewed and understands the above described restrictions on transfer of the Notes and acknowledges that such transfer restrictions may adversely affect the liquidity of the Notes.

(f) Such Investor understands that each purchaser of the Notes, by virtue of its acceptance thereof, assents to, and agrees to be bound by, the terms, provisions and conditions of the above described transfer restrictions and the provisions set forth in this "Representations and Warranties by Investors" section.

(g) Such Investor will not transfer any portion of the Notes except in accordance with applicable law, and the above described transfer restrictions.

(h) Such Investor acknowledges that it has been afforded an opportunity to request and review, and it has received, all additional information considered by it to be necessary to verify the accuracy of or to supplement the information herein.

(i) Such Investor represents that it is duly authorized to purchase the Notes, and its purchase of investments having the characteristics of such Notes is authorized under, and not directly or indirectly in contravention of, any law, charter, trust instrument or other operative document, investment guidelines or list of permissible or impermissible investments applicable to the Investor.

(j) If such Investor is acquiring the Notes as a fiduciary or agent for one or more accounts, such Investor represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgments, representations, warranties and agreements with respect to each such account.

(k) Such Investor understands and acknowledges that the Notes are being offered for sale in transactions not requiring registration under the Securities Act or any other securities laws, which are limited to sales to Qualified Institutional Buyers as defined in Rule 144A of the Securities Act, that the Notes have not been registered under the Securities Act or any other applicable securities laws and, unless so registered, may not be offered, sold or otherwise transferred except in compliance with the registration requirements of the Securities Act and any other applicable securities laws, pursuant to an exemption therefrom or in a transaction not subject thereto under Rule 144A and in each case in compliance with the conditions for transfer set forth herein.

(l) Such Investor understands that there may be restrictions on the ability of certain investors, including, without limitation, depository institutions, either to purchase the Notes or to purchase investments having characteristics similar to those of the Notes or representing more than a specified percentage of the Investor's assets. The Investor has consulted, and relied on the advice of, the Investor's legal advisor in determining whether and to what extent the Notes constitute a legal investment for such Investor.

(m) Such Investor is not relying upon the Corporation or any of its employees for advice as to the merits and risks of an investment in the Notes and it has sought such accounting, legal and tax advice as it has considered necessary to make an informed investment decision.

(n) Such Investor has conducted its own independent examination of, and had an opportunity to ask questions and receive answers concerning, the Notes.

(o) Such Investor agrees that it is bound by and will abide by the provisions of this "Representations and Warranties by Investors" section.

LITIGATION

The Corporation is a defendant in a number of lawsuits. Such litigation includes, but is not limited to, actions commenced and claims asserted against the Corporation arising out of alleged torts, civil rights violations, breaches of contracts including union and employee disputes, medical malpractice actions and other alleged violations of law. The Corporation intends to defend itself vigorously against all claims and actions. There are no actions presently pending or threatened, the adverse outcome of which would have a material negative effect on the financial condition of the Corporation.

OTHER INFORMATION

The Corporation is authorized to spend money for the objects or purposes for which the Notes are to be issued by the Corporation Act (as hereinafter defined) or other applicable State law.

The Corporation has no past due principal or interest on any of its bonds or notes.

RISK FACTORS

The following description summarizes some of the risk factors associated with the Notes and does not purport to be complete. This Official Statement should be read in its entirety.

The financial condition of the Corporation as well as the market for the Notes could be affected by a variety of factors, some of which are beyond the Corporation's control. There can be no assurance that adverse events in the State and in other jurisdictions of the country, including, for example, the seeking by a municipality or large taxable property owner of remedies pursuant to the federal Bankruptcy Code or otherwise, will not occur which might affect the market price of and the market for the Notes. If a significant default or other financial crisis should occur in the affairs of the State or any of its agencies or political subdivisions or in other jurisdictions of the country thereby further impacting the acceptability of obligations issued by borrowers within the State, both the ability of the Corporation to arrange for additional borrowings, and the market for and market price of outstanding debt obligations, including the Notes, could be adversely affected.

From time to time, legislation is introduced on the federal and State levels, which, if enacted into law, could affect the Corporation and its operations. The Corporation is not able to represent whether such bills will be introduced in the future or become law.

There are several operational risks relating to the Pledged Revenues. For instance, a delay by Nassau County and/or the Corporation in sending the Local Share Payment to the State, as well as a delay in the State in sending the Local Share Payment, the Federal Payments and/or the ICA Payments to the Corporation could adversely affect the ability of the Corporation to transfer such amounts to the Fiscal Agent when required. Likewise, a delay by the federal government in sending the Federal Payments to the State for subsequent transfer to the Corporation could also adversely affect the ability of the Corporation to transfer such amounts to the Fiscal Agent when required.

In the event Pledged Payments are not received by the Corporation by January 15, 2016 and other available funds of the Corporation are insufficient to pay the Notes the Corporation will need to renew the Notes. No assurance can be made at this time that a market will exist for the renewal of the Notes, if necessary.

On January 26, 2011, the Nassau County Interim Finance Authority ("NIFA") declared a "control period" with respect to the finances of the County of Nassau, which also covers the finances of the Corporation (which is a covered organization under the legislation which created NIFA).

NIFA has indicated that the reason for the "control period" is its determination that there exists a substantial likelihood and imminence that the County of Nassau will incur a major operating funds deficit of more than 1% in the aggregate results of operations during 2011. During a control period NIFA is empowered, among other things, to approve or disapprove proposed contracts and borrowings by the County and covered organizations; approve, disapprove or modify the County's multi-year financial plan; issue binding orders to the appropriate local officials; impose a wage freeze; and terminate the control period upon finding that no condition exists which would permit imposition of a control period.

NIFA has approved the issuance of the Notes.

For a description of the security for the Notes, see "Security For The Notes" herein.

LEGAL MATTERS

The legality of the authorization and issuance of the Notes will be covered by the final approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, New York, New York. The proposed form of such opinion is set forth in APPENDIX B hereto. Certain legal matters will be passed upon by Hawkins Delafield & Wood LLP, New York, New York, as counsel to the Underwriter.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code") and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Bond Counsel is of the further opinion that interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although it is included in adjusted current earnings when calculating corporate alternative minimum taxable income. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix B hereto.

Notes purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Notes") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of notes, like the Premium Notes, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Note, will be reduced by the amount of amortizable bond premium properly allocable to such Premium Owner. Beneficial Owners of Premium Notes should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Notes. The Corporation has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Notes will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Notes being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Notes. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Notes may adversely affect the value of, or the tax status on interest on, the Notes. Accordingly, the opinion of Bond Counsel is not intended to, and may not be, relied upon in connection with any actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Notes is excluded from gross income for federal income tax purposes and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York), the ownership or disposition of, or the accrual or receipt of interest on, the Notes may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Future legislative proposals, if enacted into law or clarification of the Code or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such future legislative proposal or clarification of the Code or court decisions may also affect the market price for, or marketability of, the Notes. Prospective purchasers of the Notes should consult their own tax advisers regarding any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Notes for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Corporation, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Corporation has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Notes ends with the issuance of the Notes, and unless separately engaged, Bond Counsel is not obligated to defend the Corporation or the Beneficial Owners regarding the tax-exempt status of the Notes in the event of an audit examination by the IRS. Under current procedures, parties other than the Corporation and its appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt obligations is difficult, obtaining an independent review of IRS positions with which the Corporation legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Notes for audit, or the courts or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Notes, and may cause the Corporation or the Beneficial Owners to incur significant expense.

RATING

The Corporation has not requested ratings for the Notes.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions precedent, to purchase all, but not less than all, of the Notes from the Corporation at an aggregate purchase price of $40,215,751.09. The Notes may be reoffered and sold to certain dealers (including unit investment trusts and other affiliated portfolios of certain underwriters and other dealers depositing the Notes into investment trusts) at prices lower than that stated on the cover page of this Official Statement and such public offering price may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISOR

The Corporation has retained Public Financial Management, Inc. of New York, New York, as Financial Advisor in connection with the issuance and sale of its obligations, including the Notes. Although Public Financial Management, Inc. has assisted in the preparation of the Official Statement, Public Financial Management, Inc. is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information contained in the Official Statement. Public Financial Management, Inc. is an independent advisory firm and is not engaged in the business of underwriting, trading, or distributing municipal securities or other public securities.

MISCELLANEOUS

Statements in this Official Statement, and the documents included by specific reference, that are not historical facts are forward-looking statements, which are based on the Corporation management's beliefs, as well as assumptions made by, and information currently available to, the Corporation's management and staff. Because the statements are based on expectations about future events and economic performance and are not statements of fact, actual results may differ materially from those projected. Important factors that could cause future results to differ include legislative and regulatory changes, changes in the economy, and other factors discussed in this and other documents that the Corporation files with the repositories. When used in Corporation documents or oral presentations, the words "anticipate," "estimate," "expect," "objective," "projection," "forecast," "goal," or similar words are intended to identify forward-looking statements.

To the extent that any statements made in this Official Statement involve matters of opinion or estimates, whether or not expressly stated, such matters of opinion and estimates are set forth as such and not as representations of fact. Neither this Official Statement nor any statement which may have been made verbally or in writing in connection therewith is to be construed as a contract with the holders of the Notes.

Neither the Corporation's independent auditors, nor any other independent accountants, have compiled, examined, or performed any procedures with respect to the prospective financial information contained herein, nor have they expressed any opinion or any other form of assurance on such information or its achievability, and assume no responsibility for, and disclaim any association with, the prospective financial information.

References herein to the State and various State and federal laws are only brief outlines of certain provisions thereof and do not purport to summarize or describe all of such provisions.

Upon delivery of the Notes the Chief Financial Officer of the Corporation shall furnish a certificate stating (i) to his knowledge the Official Statement did not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading, subject to the condition that while information in said Official Statement obtained from sources other than the Corporation is not guaranteed as to accuracy, completeness or fairness, he has no reason to believe and does not believe that such information is materially inaccurate or misleading, (ii) to his knowledge, since the date of said Official Statement, there have been no material transactions not in the ordinary course of affairs entered into by the Corporation and no material adverse changes in the general affairs of the Corporation or in its financial condition as shown in the Official Statement other than as disclosed or contemplated by said Official Statement, and (iii) that no litigation is pending, or to the knowledge of the Corporation, threatened that would affect the Notes.

Periodic public reports relating to the financial condition of the Corporation, its operations and the balances, receipts and disbursements of the various funds of the Corporation are prepared by the Corporation, and in certain instances examined by independent certified public accountants. In addition, the Corporation regularly receives reports from consultants, commissions, and special task forces relating to various aspects of the Corporation's financial affairs, including capital projects, Corporation services, taxation, revenue estimates, pensions, and other matters.

The Official Statement is submitted only in connection with the sale of the Notes by the Corporation and may not be reproduced or used in whole or in part for any other purpose.

The execution and delivery of this Official Statement have been duly authorized by the President and Chief Executive Officer on behalf of the Corporation.

NASSAU HEALTH CARE CORPORATION,
NEW YORK

By: /s/ Victor F. Politi
President and Chief Executive Officer

January 26, 2015

APPENDIX A

INFORMATION ABOUT THE CORPORATION

INFORMATION ABOUT THE CORPORATION

A. Background, Ownership, Board Composition and Affiliations

The Corporation is the licensed operator of Nassau University Medical Center ("NUMC"), a 530 bed hospital located in East Meadow, New York; the A. Holly Paterson Extended Care Facility ("AHP"), an 589 bed nursing home located in Uniondale, New York; and co-operates four community health centers (Designated as Long Island Federally Qualified Health Center) ("LIFQHC") and one school health clinic (the "LIFQHC's"), located in Hempstead, Freeport, Roosevelt, New Cassel, and Elmont, New York.

The Corporation is organized as a public benefit corporation under the New York State Public Authorities Law. The enabling legislation for creation of the Corporation as a New York State public benefit corporation became effective February 6, 1997 (the "Corporation Act"). Prior to the establishment of the Corporation, Nassau County directly operated NUMC, AHP and the LIFQHC which were then organized as Diagnostic and Treatment Centers ("DTCs"). The Corporation's enabling statute contained provisions directing the transfer of Nassau County's health care facilities' licenses from the County to the Corporation, and accordingly, by operation of law, the Corporation assumed the operation of NUMC, AHP, and the DTCs in September 1999.

Nassau County transferred its hospital, nursing home and health centers and clinics to the Corporation effective September 29, 1999 as provided in the Acquisition Agreement between the County and the Corporation dated as of September 24, 1999. The County and the Corporation subsequently entered into a Stabilization Agreement dated as of September 22, 2004 in order to stabilize the financial condition of the Corporation. The County and the Corporation then entered into the Successor Agreement dated as of November 1, 2007 to clarify the relationship between the parties. The Corporation Act also permits the County (i) to enter into contracts with the Corporation for services; (ii) to appropriate sums of money to defray the Corporation's project costs or other expenses; (iii) to lend its money or credit to the Corporation; and (iv) to issue County notes and bonds for the Corporation objects or purposes.

The County and the Corporation are prohibited from filing any petition with any United States district court or court of bankruptcy for the composition or adjustment of municipal indebtedness without the approval of NIFA and the State Comptroller, and no such petition may be filed while NIFA bonds remain outstanding. NIFA bonds are outstanding through November 15, 2025.

While the Corporation has historically operated programs typical of a tertiary care medical center, first and foremost, it serves as the safety-net provider for the underinsured and uninsured residents of Nassau County. NUMC's primary service area is unique as compared to Nassau County overall in terms of demographic and socioeconomic characteristics. NUMC's primary service area has higher rates of uninsured residents and residents insured by the Medicaid program, as well as significantly higher rates of minority and poor residents as compared to the rest of the County. Historically, based on New York Statewide Planning and Research Cooperative System ("SPARCS") data:

- NUMC provides over a third of the charity care in Nassau County.
- NUMC is the largest provider of Medicaid inpatient services in Nassau County. Medicaid has also been the dominant payor for approximately half of NUMC's inpatient discharges.

- NUMC is the dominant provider of emergency room care to Medicaid and uninsured patients in Nassau County. In 2013, 34% of all ER visits at NUMC were self-pay or charity care. Medicaid paid 22% of NUMC ER visits. Its 2013 emergency room visits were approximately 75,000 in total.

- NUMC delivers more than 20% of all Nassau County inpatient pediatric, psychiatric and substance abuse services and more than 40% of inpatient HIV treatment. The incidence of teen pregnancy in NHCC's primary service area exceeds the State-wide rate of 69.2 pregnancies per 1,000.

- In 2013, NUMC's outpatient department was one of the largest in the County with more than 215,000 visits. Medicaid and uncompensated care made up roughly 52% of NUMC's outpatient payor mix for 2013.

NUMC provides significant volumes of inpatient and outpatient care in Pediatrics, Psychiatry, Substance Abuse, HIV, Obstetrics and Internal Medicine. NUMC's Emergency Room volumes follow a similar pattern, including a significant role as a "receiving hospital" under Section 9.39 of the New York Mental Hygiene Law, for individuals requiring psychiatric hospitalization. NUMC directly operates the following clinical departments: Anesthesiology, Dentistry and Oral Surgery, Emergency Medicine, Internal Medicine (including general medicine, allergy, cardiology, endocrinology, gastroenterology, hematology/oncology, nephrology, pulmonary, rheumatology and infectious diseases), Neurology, OB/GYN, Orthopedics, Pathology and Laboratory Medicine, Pediatrics, Physical Medicine and Rehabilitation, Psychiatry, Radiology and Surgery (including general surgery, pediatric surgery, ophthalmology, plastic surgery (primarily supporting the burn center), urology, thoracic surgery, vascular surgery, head and neck surgery, neurosurgery, ENT, trauma, colorectal surgery and surgical oncology). NUMC also operates an extensive network of outpatient clinics in each of the clinical departments.

With limited exceptions, NUMC's attending physician staff is comprised of full-time employed physicians. NUMC operates twelve (12) free-standing residency training programs and four (4) Internal Medicine fellowships, with a total of 280 approved post-graduate physician positions.

AHP is licensed to provide general nursing home care (549 Beds), and specialty care for AIDS (20 beds) and ventilator dependent patients (20 beds). Its beds are 93% occupied.

On June 29, 2005, the North Shore–Long Island Jewish Health System and the Corporation entered into an Affiliation Agreement. The goal of the affiliation is to work together "to advance their shared commitment to better serve the healthcare needs of the residents of Nassau County." As set forth in the agreement, the affiliation ". . . will focus on the parties working closely together to achieve mutually agreed upon methods of improving access to clinical services and operational efficiencies consistent with the mission of providing quality care to the communities served by the Corporation." The Corporation also has teaching affiliations with SUNY-Stony Brook and other institutions in Nassau County.

Legislation was passed on October 23, 2013 (the " Collaboration Bill") which includes findings by the State Legislature and affirmatively expresses a policy of the State to allow NuHealth to engage in collaborative activities consistent with its healthcare purposes and the State public policy objectives set forth in the Collaboration Bill.

The Collaboration Bill amends NuHealth's enabling legislation to grant immunity from state and federal antitrust laws to NuHealth and to entities with which NuHealth collaborates to pursue state policy objectives, defined in Section 1 of the Bill as follows:

1. Preserving and expanding needed health care services in NuHealth's primary service area;

2. Consolidating unneeded or duplicative health care services;

3. Enhancing the quality of, and expanding access to, health care delivered to medically underserved populations;

4. Lowering costs and improving the efficiency of the health care services it delivers; and

5. Achieving improved reimbursement from non-governmental payors.

The current members of NHCC's Board of Directors are:

Michael B. Mirotznik, Esq., Chairman	Linda Reed
Steve Cohn, Esq.	Asif M. Rehman, MD
Michael M. DeLuca, MPA	Frank Saracino, PhD
Victor Gallo, MD	David J. Sussman, MD
Jemma Marie-Hanson, RN	John A. Venditto, MD
Krishan Kumar, MD, FACEP	Andrew Zucaro
Greg-Patric Martello, Esq.	Warren Zysman, LCSW, CASAC
John T. McCann, PhD	Victor F. Politi, MD, FACP, FACEP, President/CEO

B. County-guaranteed Corporation Bonds

The Corporation issued $259,734,845.44 of its Series 1999 Bonds on September 29, 1999, which bonds were guaranteed by the County. The proceeds of the Series 1999 Bonds were used to fund the acquisition price, working capital, reserves, capitalized interest and cost of issuance.

On October 14, 2004, the Corporation issued $303,355,000 of its Series 2004 Bonds, and used a portion of the proceeds of such bonds, together with other available funds (including the release of reserve funds), to refund the Series 1999 Bonds. At that time, the County ceased to be obligated under its guaranty of the Series 1999 Bonds. The County provided a guaranty on said Series 2004 Bonds.

The County and the Corporation have also executed a regulatory agreement (the "Regulatory Agreement") in connection with the issuance of the Series 2004 Bonds, concerning the operation of the Health Facilities, as required by the Act.

The Regulatory Agreement includes pledges by the Corporation to grant the County liens on its real and personal property to secure the Corporation's obligation to repay to the County funds the County pays directly to the bond trustee under the guaranty of the Series 2004 Bonds. The successor Agreement modified this pledge and lien with respect to certain of the Corporation's property.

There were three components to the Series 2004 Bonds: approximately $18.3 million in tax-exempt fixed-rate bonds; approximately $65.5 million of taxable auction rate bonds; and approximately $219.6 million in synthetic fixed-rate debt, in which tax-exempt variable rate bonds were hedged with a percentage of LIBOR swap. Approximately $39.7 million of the auction rate bonds were defeased in July 2008 from HEAL IV grants and the balance of such auction rate bonds were converted to variable rate.

As a result of higher than expected remarketing rates for the Series 2004 variable rate bonds, the Corporation issued its Series 2009 A Bonds and Series 2009 B, C and D Bonds on April 8, 2009 and April 28, 2009, respectively, to refund all of the outstanding Series 2004 variable rate bonds. The Series 2009 A Bonds and Series 2009 B, C and D Bonds are variable rate bonds secured by letters of credit. The County has also provided a guaranty on such bonds.

LIBOR-based interest rate swaps carry certain risks. The Successor Agreement provides that the County offset all debt service related payments, including payments to swap counterparties, against any payments it makes to the Corporation.

C. The Corporation's Financial Condition

The Corporation ended the 2010 fiscal year with a profit of $645,000, before factoring in any impact from the change in the fair value of its derivative instruments, the amortization of its refunding loss (neither of which are cash items) and prior period third party retroactive rate adjustments.

The Corporation ended the 2011 fiscal year with a $45.5 million operating deficit.

The Corporation ended the 2012 fiscal year with a $2.5 million operating deficit.

The Corporation ended the 2013 fiscal year with a $21.6 million operating deficit and is projecting a $500,000 surplus for 2014.

The adopted 2015 budget sets forth a $553,000 surplus. Management will be continually reviewing areas of possible expense reduction and revenue enhancement throughout the year. To assure fiscal responsibility and accountability on behalf of the Corporation, all expenditures and staffing requirements as presented in the 2015 budget will be subject to the review, evaluation and approval of management.

The Corporation reported a decrease in the balance of net assets of $33.7 million for its activities during the 2013 fiscal year. In total, the Corporation reported a deficit balance of net assets of $387.3 million as of December 31, 2013 and a deficit balance of $353.6 million as of December 31, 2012. The Corporation's unrestricted cash and cash equivalents decreased from $17 million as of December 31, 2012 to $12.8 million as of December 31, 2013. See Appendix C.

APPENDIX B

FORM OF BOND COUNSEL OPINION

FORM OF BOND COUNSEL OPINION

[Letterhead of Orrick, Herrington & Sutcliffe LLP]

January 28, 2015

Nassau Health Care Corporation,
State of New York

Re: Nassau Health Care Corporation, New York

$40,000,000 REVENUE ANTICIPATION NOTES, 2015

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Nassau Health Care Corporation, New York (the "Corporation"), of $40,000,000 principal amount of Revenue Anticipation Notes, 2015, dated the date of delivery and maturing on January 15, 2016 (the "Notes"). The Notes are issued pursuant to statutes of the State of New York and proceedings of the board of the Corporation.

In such connection, we have reviewed the Constitution and statutes of the State of New York, the Tax Certificate of the Corporation dated the date hereof (the "Tax Certificate"), the Note Determination Certificate of the Corporation dated the date hereof (the "Corporation Certificate"), a certified copy of proceedings of the finance board of the Corporation and such other documents and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this opinion speaks only as of its date and is not intended to, and may not, be relied upon in connection with any such actions, events or matters. Our engagement with respect to the Notes has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Corporation.

We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. We have assumed compliance with all covenants and agreements contained in the Tax Certificate and the Corporation Certificate, including (without limitation) covenants and agreements compliance with which is necessary to ensure that future actions, omissions, or events will not cause interest on the Notes to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Notes, the Tax Certificate, and the Corporation Certificate, and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against municipal entities such as the Corporation in the State of New York. We express no opinion with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue waiver or severability provisions contained in the documents described in the second paragraph hereof. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering materials relating to the Notes and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute valid and binding obligations of the Corporation.

2. The Corporation Certificate has been duly executed and remains in full force and effect.

3. The Corporation Certificate creates a valid pledge of the Pledged Payments (as defined in the Official Statement), including the investments thereof and the proceeds of such investments, to secure the payment of the Notes and the interest thereon.

4. Interest on the Notes is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from personal income taxes imposed by the State of New York and any political subdivision thereof (including The City of New York). Interest on the Notes is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes although it is included in adjusted current earnings in calculating corporate alternative minimum taxable income. We express no opinion regarding any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest on, the Notes.

APPENDIX C

AUDITED FINANCIAL STATEMENT

FINANCIAL STATEMENTS

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)
Year Ended December 31, 2013
With Reports of Independent Auditors

Ernst & Young LLP

Building a better
working world

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Financial Statements

Year Ended December 31, 2013

Contents

Ernst & Young LLP
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Report of Independent Auditors

The Board of Directors
Nassau Health Care Corporation and Subsidiaries

Report on the Financial Statements

We have audited the accompanying basic financial statements of Nassau Health Care Corporation and Subsidiaries (component unit of Nassau County) (the "Corporation") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation'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 conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nassau Health Care Corporation and Subsidiaries as of December 31, 2013, and the changes in their financial position and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Adoption of GASB Statement No. 61, The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34

As discussed in Note 2 to the financial statements, the Corporation restated its financial statements as a result of the adoption of Governmental Accounting Standards Board ("GASB") Statement No. 61, "The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34," effective January 1, 2013. Our opinion is not modified with respect to this matter.

Adoption of GASB Statement No. 65, Items Previously Reported as Assets and Liabilities

As discussed in Note 2 to the financial statements, the Corporation restated its financial statements as a result of the adoption of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinion is not modified with respect to this matter.

Required Supplementary Information

U.S. generally accepted accounting principles require that the accompanying management's discussion and analysis on pages 4 through 9 and the schedule of funding progress for the postemployment retiree healthcare plan on page 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary and Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Corporation's basic financial statements. The accompanying combining statement of net position as of December 31, 2013 and combining statement of revenues, expenses and changes in net position for the year then ended are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such 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. In our opinion, the combining statement of net position as of December 31, 2013 and combining statement of revenues, expenses and changes in net position for the year then ended are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we also have issued our report dated June 26, 2014 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Ernst + Young LLP

June 26, 2014

This Management's Discussion and Analysis (MD&A) of Nassau Health Care Corporation and Subsidiaries (the Corporation) provides an introduction to the basic financial statements for the year ended December 31, 2013, with selected information for the year ended December 31, 2012 (as previously reported).

In 2013, the Corporation adopted Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statements No. 14 and No. 34*, and Statement No. 65, *Items Previously Reported as Assets and Liabilities*, retroactive to January 1, 2013. Amounts included within the MD&A as of and for the year ended December 31, 2012 are as previously reported, prior to the adoption of Statement Nos. 61 and 65. Refer to Note 2 in the accompanying financial statements for additional information regarding the adoption in 2013 of these GASB Statements.

Management prepared this MD&A, which should be read in conjunction with the Corporation's financial statements, the notes and the required supplementary information.

Basic Financial Statements

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

Financial Position Summary

The statement of net position depicts the Corporation's financial position at December 31, the end of the Corporation's fiscal year. Net position represents the Corporation's residual interest after liabilities and deferred inflows of resources are deducted from assets and deferred outflows of resources. Net position is displayed in three components: net investment in capital assets, restricted and unrestricted.

Condensed Financial Information

A condensed summary of the Corporation's total net position at December 31, 2013 and 2012 is set forth below (in thousands):

	2013	2012 *(As Previously Reported)*
Assets:		
Capital assets	**$ 188,640**	$ 178,063
Other assets	**198,410**	217,925
Total assets	**387,050**	395,988
Deferred outflows of resources:		
Deferred loss on refunding	**20,183**	–
Liabilities:		
Long-term liabilities outstanding	**589,365**	553,644
Other liabilities	**205,216**	195,966
Total liabilities	**794,581**	749,610
Net position:		
Net investment in capital assets	**93,142**	95,063
Restricted	**2,066**	2,066
Unrestricted (deficit)	**(482,556)**	(450,751)
Total net position	**$ (387,348)**	$ (353,622)

Condensed Financial Information (continued)

The following table represents the revenues, expenses and net position for the years ended December 31, 2013 and 2012 (in thousands):

	2013	2012 *(As Previously Reported)*
Operating revenue:		
Net patient service revenue (net of the provision for bad debts of $44,684 in 2013 and $40,465 in 2012)	**$ 457,581**	$ 484,655
Other operating revenue	**63,119**	32,356
Investment income	**163**	534
Total operating revenue before other operating items	**520,863**	517,545
Operating expenses:		
Salaries and wages	**248,558**	240,352
Employee benefits	**119,257**	114,937
Supplies and other	**141,891**	132,620
Interest and amortization	**10,404**	11,946
Depreciation	**20,189**	20,216
Loss on disposal of capital assets	**2,149**	–
Total operating expenses before other operating items	**542,448**	520,071
Deficiency of operating revenue over operating expenses before other operating items	**(21,585)**	(2,526)
Other operating items:		
Employee benefits expense (unfunded postemployment benefits other than pensions)	**(33,279)**	(33,609)
Change in fair value of derivative instruments	**18,616**	1,045
Amortization of deferred loss on refunding (interest expense)	**(2,214)**	(2,257)
Changes to Medicaid eligibility estimates within net accounts receivable and other accounts receivable estimation changes	**–**	(10,000)
Deficiency of operating revenue over operating expenses	**(38,462)**	(47,347)
Grants for capital asset acquisitions	**13,800**	2,735
Change in net position	**(24,662)**	(44,612)
Net position, beginning of year[1]	**(362,686)**	(309,010)
Net position, end of year	**$ (387,348)**	$ (353,622)

[1] 2013 Net position, beginning of year reflects the adoption of GASB Statements 61 and 65.

Financial Analysis of the Corporation (in thousands of dollars)

Financial Highlights

- Deficiency of operating revenue over operating expenses before other operating items increased by $19,059 from 2012 to 2013.
- Net patient service revenue decreased by $27,074, or 5.6% from 2012 to 2013.
- Other operating revenue increased by $30,763, or 95.1% from 2012 to 2013.
- Salaries and wages increased by $8,206, or 3.4% from 2012 to 2013.
- Employee benefits increased by $4,320, or 3.8% from 2012 to 2013.
- Employee benefits expense (unfunded portion of postemployment benefits other than pensions) decreased net position by $33,279 and $33,609 in 2013 and 2012, respectively.
- Grants for capital asset acquisitions increased net position by $13,800 and $2,735 in 2013 and 2012, respectively.
- Total net position changed negatively by $24,662 or 6.8% of net position at the beginning of the year during 2013 (after the adoption of GASB Statements 61 and 65).

Operating Activities

General

For the year ended December 31, 2013, the deficiency of operating revenue over operating expenses before other operating items increased by $19,059 from the prior year.

Net Patient Service Revenue

Total net patient service revenue of $457,581 for the year ended December 31, 2013 decreased $27,074 (5.6%) from the prior year. Net patient service revenue decreased in 2013 due to patient volume declines and classification differences for Health Centers revenue.

Operating Activities (continued)

Other Operating Revenue

Other operating revenue of $63,119 for the year ended December 31, 2013 increased $30,763 (95.1%) from the prior year. The increase resulted from classification differences for Health Center revenue and growth in State aid.

Expenses

Total operating expenses before other operating items (including interest, amortization, and depreciation) of $542,448 for the year ended December 31, 2013 increased 4.3% from the prior year.

Salaries and wages of $248,558 increased $8,206 (3.4%) from 2012 to 2013. The increase is primarily due to an increase in full-time equivalent employees.

Employee benefits of $119,257 increased $4,320 (3.8%) from 2012 to 2013. The increase is attributable mostly to increased health insurance costs and the increase in full-time equivalent employees.

The Corporation recorded unfunded postemployment benefit expense of $33,279 and $33,609 in 2013 and 2012, respectively. The cost is actuarially calculated based on plan benefits (other than pensions) that current and retired employees have accrued as a result of their respective years of employment service.

Capital Assets

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

During 2012, the Corporation purchased $14,851 in capital assets and incurred $20,216 in depreciation expense. In 2012, the Corporation received $2,735 of grants which are restricted for capital projects.

Operating Activities (continued)

Debt

During 2013 and 2012, the Corporation made principal and interest payments on its outstanding bonds of approximately $11,400 and $12,748, respectively.

Contacting the Corporation's Financial Management

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

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Statement of Net Position

December 31, 2013
(*In Thousands*)

Assets		
Current assets:		
Cash and cash equivalents	$	12,837
Cash and cash equivalents – restricted, current portion		31,993
Patient accounts receivable – less estimated allowances and uncollectibles of $192,472		71,881
Inventories		7,287
Prepaid expenses		1,933
Other receivables		29,052
Due from third-party payers		868
Due from County of Nassau – net		4,734
Total current assets		160,585
Noncurrent assets:		
Cash and cash equivalents – restricted, net of current portion		14,087
Capital assets – net (depreciable)		176,142
Capital assets (non-depreciable)		12,498
Other assets		23,738
Total noncurrent assets		226,465
Total assets		387,050
Deferred outflows of resources		
Deferred loss on bond refunding		20,183
Liabilities		
Current liabilities:		
Accounts payable and accrued expenses		48,949
Accrued salaries, wages, and payroll taxes		20,343
Accrued vacation and sick pay		52,856
Accrued pension benefits		47,756
Accrued interest payable		1,065
Due to third-party payers		20,566
Current portion of professional and other insurance liabilities		9,159
Current portion of long-term debt		4,522
Total current liabilities		205,216
Noncurrent liabilities:		
Long-term debt		242,966
Professional and other insurance liabilities		39,486
Postemployment benefits other than pensions		280,818
Derivative instruments		24,880
Other long-term liabilities		1,215
Total noncurrent liabilities		589,365
Total liabilities		794,581
Net position		
Net investment in capital assets		93,142
Restricted		2,066
Unrestricted (deficit)		(482,556)
Total net position	$	(387,348)

See accompanying notes.

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2013
(*In Thousands*)

Operating revenue:	
Net patient service revenue (net of the provision for bad debts of $44,684)	$ 457,581
Other operating revenue	63,119
Investment income	163
Total operating revenue before other operating items	520,863
Operating expenses:	
Salaries and wages	248,558
Employee benefits	119,257
Supplies and other	141,891
Interest and amortization	10,404
Depreciation	20,189
Loss on disposal of capital assets	2,149
Total operating expenses before other operating items	542,448
Deficiency of operating revenue over operating expenses before other operating items	(21,585)
Other operating items:	
Employee benefits expense (unfunded portion of postemployment benefits other than pensions)	(33,279)
Change in fair value of derivative instruments	18,616
Amortization of deferred loss on refunding (interest expense)	(2,214)
Deficiency of operating revenue over operating expenses	(38,462)
Grants for capital asset acquisitions	13,800
Change in net position	(24,662)
Net position, beginning of year (as previously reported)	(353,622)
Cumulative effect of changes in accounting *(Note 2)*	(9,064)
Net position, beginning of year (as adjusted)	(362,686)
Net position, end of year	$ (387,348)

See accompanying notes.

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Statement of Cash Flows

Year Ended December 31, 2013
(In Thousands)

Cash flows from operating activities		
Cash received from patients and third-party payers	$	467,938
Cash received from other operating revenue		49,015
Cash paid to employees		(353,851)
Cash paid to suppliers		(131,981)
Net cash provided by operating activities		31,121
Cash flows from noncapital and related financing activities		
Cash paid for interest		(7,040)
Payment of debt		(2,888)
Proceeds from Revenue Anticipation Notes		40,000
Payment of Revenue Anticipation Notes		(40,000)
Net cash used in noncapital and related financing activities		(9,928)
Cash flows from capital and related financing activities		
Purchases of capital assets		(32,915)
Payment of debt		(1,472)
Cash paid for interest, net of amounts capitalized		(3,587)
Grants for capital asset acquisitions and retirement of long-term debt		13,800
Net cash used in capital and related financing activities		(24,174)
Cash flows from investing activities		
Net change in restricted cash and cash equivalents		(1,160)
Net cash used in investing activities		(1,160)
Net decrease in cash and cash equivalents		(4,141)
Cash and cash equivalents, beginning of year		16,978
Cash and cash equivalents, end of year	$	12,837
Reconciliation of deficiency of operating revenue over operating expenses to net cash provided by operating activities		
Deficiency of operating revenue over operating expenses	$	(38,462)
Interest paid, net of amounts capitalized		10,627
Depreciation		20,189
Amortization, including refunding loss		2,164
Change in fair value of derivative instruments		(18,616)
Changes in operating assets and liabilities:		
Patient accounts receivable		236
Accounts payable and accrued expenses, accrued salaries, wages and payroll taxes and accrued vacation and sick pay		(5,023)
Due from County of Nassau – net		7,966
Due to/from third-party payers – net		9,069
Professional and other insurance liabilities		6,677
Postemployment benefits other than pensions		33,279
Net change in all other operating assets and liabilities		3,015
Net cash provided by operating activities	$	31,121

See accompanying notes.

1. Organization

Organization Structure

The Nassau Health Care Corporation (d/b/a NuHealth) ("NHCC") is a public benefit corporation created pursuant to Public Authorities Law 3401, *et. seq.* ("PAL") by New York State ("State") in 1997 for the purposes of acquiring the health facilities owned by Nassau County, New York (the "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; Faculty Practice Plan ("FPP"); and health center management and services (the "Health Centers") for five treatment centers and one school-based clinic which are independently owned.

The following are active corporate entities for which NHCC has financial accountability based on certain criteria established within Governmental Accounting Standards Board ("GASB") Statement No. 61 (see Note 2):

Nassau Health Care Foundation, Inc. ("NHCF"): NHCF was incorporated on June 24, 1964 as a type B membership corporation under the New York State Not-for-Profit Corporation Law ("N-PCL"). The members of the Board of Directors of NHCC are automatically members of the NHCF Board of Directors. The Certificate of Incorporation was amended on March 5, 2008 to, among other things, change the name of the corporation to Nassau Health Care Foundation, Inc. ("2008 Amendment"). The 2008 Amendment also restated the purposes of NHCF 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

(In Thousands)

1. Organization (continued)

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 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. The corporation was specifically established to be the fundraising arm of NHCC. It was established as a membership corporation and NHCC is its sole member. LIMF currently has no employees. The individuals currently dedicated to LIMF are employed through NHCF.

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

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

(In Thousands)

1. Organization (continued)

South Ocean Care, LLC ("SOC"): SOC is a for-profit corporation that owns and operates a diagnostic and treatment center in Freeport, New York, which provides primary and specialty services predominantly to patients enrolled in Medicaid and Medicare Managed Care plans. In 2010, NHCC acquired an 80% membership interest in SOC. The acquisition by NHCC of a majority membership interest in SOC and its inclusion in NHCC's network of health care facilities enables its continued operation and its delivery of primary care services to the residents of Freeport, New York. In 2013, NHCC acquired the remaining 20% membership interest, continues to provide financial support, and the former SOC site has been added as a co-operated site with Long Island FQHC, Inc.

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

Additionally, NHCC is the sole member of several inactive entities, certain of which mirror the present operating divisions of NUMC but have not been operationalized. Also, Newco ALP, Inc. ("NewCo") was formed on May 22, 2009 for the purpose of becoming the licensed operator of a 150-bed Medicaid Assisted Living Program ("ALP") and a related Licensed Home Care Services Agency ("LHCSA"). The ALP was intended to be a primary component of a State mandated rightsizing of AHP (see Note 11). The New York State Department of Health ("NYSDOH") has approved NewCo's application for a license to operate an ALP at an expanded 200-bed size, and approved a LHCSA for this purpose in a building, which previously served as the Hempstead General Hospital, situated at 820 Front Street, Hempstead (Nassau County), New York 11550 (the "Site"). NewCo received 501(c)(3) status as of August 10, 2010. NewCo's tax exempt status was revoked in 2012 for the failure to file required documentation. A letter requesting the retroactive reinstatement of NewCo's 501(c)(3) status was submitted to the Internal Revenue Service in April 2013. NewCo has had no operating activities since its formation. In 2014, NewCo commenced operations as an adult home pending approval of ALP status by NYSDOH.

The Health Centers provide services to Long Island FQHC, Inc. ("LIFQHC"). 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 five treatment centers and a school-based clinic previously operated solely by NHCC, in order to meet federal governance requirements and obtain designation from the Health Resources and Services Administration ("HRSA") as a public-entity federally qualified health center ("FQHC") "Look-Alike" organization. HRSA recognizes two governance models through which the operations of an FQHC can be overseen: the voluntary

1. Organization (continued)

model and the public-entity model. In the voluntary model, HRSA requires the governing entity to be a not-for-profit corporation with at least 51% of the directors on the board obtaining health care services from the FQHC. In the public entity model, HRSA permits health centers to be co-operated by a public entity, such as a public benefit corporation, in conjunction with an independent not-for-profit FQHC entity, again with at least 51% of the directors of the not-for-profit board obtaining care from the FQHC. In the public entity model, the public entity's board and the not-for-profit's FQHC operate under a Co-Applicant Agreement. The Co-Applicant Agreement delineates the rights and responsibilities of each governing board, consistent with the minimum governance requirements set forth by HRSA. NHCC and LIFQHC executed a Co-Applicant Agreement. LIFQHC, through the Co-Applicant Agreement, was empowered to adopt health center policies, including those on the scope and availability of services, location and hours of services, and quality control; approve the annual budget (subject to limitations imposed by NHCC); approve the selection and dismissal of the Executive Director of the FQHC; approve the application for subsequent grants and FQHC recertification; evaluate FQHC activities; and implement a compliance program. NHCC retained the right to establish personnel policies and procedures, provide staff to the current health centers, develop financial and operational management systems, and guide the long range strategic planning process. HRSA granted Lookalike status under the public entity model, and the NHCC-LIFQHC project became operational in June 2010. NHCC does not have financial accountability for LIFQHC based on the GASB 61 criteria (see Note 2); accordingly, LIFQHC is not a component unit of NHCC and is not included in the accompanying financial statements.

Nassau County Relationship

The Corporation is considered to be a component unit of the County and is included as a discretely presented component unit in the general purpose financial statements of the County.

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

(In Thousands)

2. Summary of Significant Accounting Policies

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

Liquidity and Operating Results

At December 31, 2013, the Corporation had a working capital deficiency of approximately ($44,631) and a deficit in its total net position of approximately ($387,348) and incurred a deficiency of operating revenue over operating expense of approximately ($38,462) for the year ended December 31, 2013. The deficit arose primarily from operating losses and the postemployment benefits other than pension liability (see Note 9). The Corporation is continuously striving to improve its net position by returning to profitability before other operating items, by continuing to progress with collecting on patient accounts, and through cash flows provided by government subsidies for the funding of indigent care and capital projects (see Notes 2 and 6). The Corporation has undertaken a number of initiatives to return to positive cash flows. Such actions include continued revenue cycle enhancements, renegotiation of all commercial managed care contracts, changes to medical management practices, improved supply chain inventory management, rightsizing of personnel and further cost reductions from the major modernization program undertaken over the past several years. The modernization program included significant investments in real estate consolidation, facility improvements, clinical equipment and information technology, and enhancements to the community health centers. In addition to the Corporation's ongoing initiatives, the County is the direct-pay guarantor of the Corporation's bonds, as well as guarantor to its swap counterparties.

The Corporation also has in place a revolving credit agreement with the Captive which would allow for the use of cash invested by the Captive. This agreement has been used infrequently on a very short-term basis with amounts drawn being repaid several days subsequent to the borrowing. The agreement's terms are such that any amounts unpaid are due on demand and no later than December 31, 2015.

In June 2012, the Corporation received a grant for $18,000 under the Health Care Efficiency and Affordability Law for New Yorkers ("HEAL NY") program from the NYSDOH. The Corporation sought these funds to restructure its care delivery model as part of an overall proposal to reduce inpatient beds (through reductions in unnecessary admissions, ambulatory

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

sensitive admissions, and readmissions), expand primary care and addiction outpatient capacity, develop a care management infrastructure, build information technology interfaces with the North Shore-LIJ Health System to facilitate clinical integration and to pay down approximately $9,000 of debt. At December 31, 2013, the Corporation recorded a $9,240 receivable related to the HEAL NY grant.

Management of the Corporation is also pursuing additional financial support from other New York State and federal sources available to health care providers, such as funding under the Interim Access Assurance Fund, Delivery System Reform Incentive Payment Program, Vital Access Provider grants, and other capital funding grants.

Basis of Accounting

The accounts of the Corporation are maintained on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles based on the pronouncements of the GASB.

All intercompany transactions and balances have been eliminated in the accompanying financial statements.

Net Position

Net position of the Corporation is composed of three components: net investment in capital assets, restricted and unrestricted. *Net investment in capital assets* consists of capital assets, net of accumulated depreciation, reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. *Restricted* consists of noncapital 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. *Unrestricted* are remaining resources that are available to meet any of the Corporation's ongoing obligations that do not meet the definition of previous net position components. The Corporation had a deficit in unrestricted net position at December 31, 2013.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Use of Estimates

The preparation of the financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, including estimated uncollectibles and allowances for accounts receivable, receivables from and payables to third-party payers, estimated professional and other insurance liabilities and postemployment benefits other than pensions and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates also affect the amounts of revenue and expenses reported during the period. Actual results could differ materially 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 whose use has been restricted. 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 the Corporation's third-party trustee or the pledging financial institution's trust department in the name of the Corporation, 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.

2. Summary of Significant Accounting Policies (continued)

Medicare Reimbursement

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

Non-Medicare Reimbursement

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

The Corporation has established estimates, based on information presently available, of amounts due to or from Medicare and non-Medicare payers for adjustments to current and prior years' payment rates, based on industry-wide and Corporation-specific data. Medicare cost reports, which serve as the basis for final settlement with the Medicare program, have been audited by the Medicare fiscal intermediary and settled through 2009. 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. Noncompliance with such laws

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

and regulations could result in fines, penalties and exclusion from such programs. The Corporation is not aware of any allegations of noncompliance 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.

Net patient service revenue was decreased by approximately $5,002 for the year ended December 31, 2013 for settlements related to prior years and changes in estimates made by management related to third-party payer accounts.

On March 30, 2010, the Corporation was notified that the NYSDOH was issuing rate revisions dating back to 1996 for certain Medicaid issues. The amount of the retroactive recovery was approximately $15,600 and was recorded as a liability in 2009. The Corporation filed a legal affidavit on May 12, 2010 protesting the recovery for the periods 1996 through 2002, although the outcome is uncertain.

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 $69,255 in 2013. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled $41,110 in 2013.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Electronic Health Records Incentive Payments

The American Recovery and Reinvestment Act of 2009 included provisions for implementing health information technology under the Health Information Technology for Economic and Clinical Health Act ("HITECH"). The provisions were designed to increase the use of electronic health record ("EHR") technology and establish the requirements for a Medicare and Medicaid incentive payment program beginning in 2011 for eligible providers that adopt and meaningfully use certified EHR technology. Eligibility for annual Medicare incentive payments is dependent on providers demonstrating meaningful use of EHR technology in each period over a four-year period. Initial Medicaid incentive payments are available to providers that adopt, implement or upgrade certified EHR technology. In subsequent years, providers must demonstrate meaningful use of such technology to qualify for additional Medicaid incentive payments. Hospitals that do not successfully demonstrate meaningful use of EHR technology are subject to payment penalties or downward adjustments to their Medicare payments beginning in federal fiscal year 2015.

The Corporation uses a grant accounting model to recognize revenue for the Medicare and Medicaid EHR incentive payments. Under this accounting policy, EHR incentive payment revenue is recognized when the Corporation is reasonably assured that the EHR meaningful use criteria for the required period of time were met and that the grant revenue will be received. EHR incentive payment revenue totaling approximately $5,075 for the year ended December 31, 2013 is included in other operating revenue in the accompanying statement of revenues, expenses and changes in net position. Income from Medicare incentive payments will be subject to retrospective adjustment upon final settlement of the applicable cost report from which payments are calculated. Additionally, the Corporation's attestation of compliance with the meaningful use criteria is subject to audit by the federal government.

Intergovernmental Transfers

The intergovernmental transfer ("IGT") program is a federal and locally sponsored funding mechanism to assist certain public benefit hospitals in fulfilling their mission of providing health care services to the Medicaid and uninsured populations. The IGT 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 recorded in 2013 was approximately $71,400 and was recognized in net patient service revenue. The Corporation

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

received IGT payments of approximately $65,300 in 2013 and has recorded an IGT receivable of approximately $16,000 within other receivables as of December 31, 2013. The amount of IGT revenue recognized by the Corporation in 2013 specific to AHP, approximately $14,600, is estimated based upon New York State Public Health Law, which increased Upper Payment Limit (“UPL”) funding for nursing homes from $150,000 to $300,000 for the New York State (“NYS”) fiscal year beginning April 1, 2009. However, final resolution regarding actual UPL funding for nursing homes by NYS has not yet been determined. The Corporation has established its estimate of the statewide UPL to be approximately $290,000 based upon the latest information available and communicated to it; however, there is at least a reasonable possibility that the recorded AHP IGT amount based on the UPL estimate will change by a material amount.

The Corporation recognizes IGT assets when all of its applicable eligibility requirements are met or resources are received, whichever is first, and revenues are recognized when all of its applicable eligibility requirements or similar conditions are met.

Concentration of Credit Risk

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

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, 2013 are as follows:

Medicare	18%
Medicaid	25
Commercial	22
Commercial HMO	13
Medicare HMO	3
Medicaid HMO	6
Other	13
	100%

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

The components of net patient service revenue consist of the following for the year ended December 31, 2013:

Services provided to patients (net of contractual allowances of approximately $637,892 in 2013)	$	430,832
Intergovernmental transfer – Federal		58,433
Intergovernmental transfer – County		13,000
Provision for bad debts		(44,684)
	$	457,581

The Corporation is paid by third-party payers for patient services rendered generally at negotiated or otherwise predetermined amounts established by the applicable coverage program. For the year ended December 31, 2013, revenue from the Medicaid and Medicare programs accounted for approximately 79% of net revenue for services provided to patients.

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents 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 are carried at the lower of cost or market. Cost is determined by the first-in, first-out 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. Depreciation is computed using the straight-line method based upon the estimated useful lives of the assets ranging from three to forty years.

2. Summary of Significant Accounting Policies (continued)

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 included in operations. 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.

Accrued Vacation and Sick Pay

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

Professional and Other Insurance Liabilities

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

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

Derivative Instruments

Derivative instruments are reported at fair value. Fair value is determined using forward interest rate estimates and present value techniques and considers the risk of nonperformance by the counterparties and the Corporation. The change in fair value of derivative instruments is included in the accompanying statement of revenues, expenses and changes in net position (see Note 5).

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Investment in Limited Liability Company

The Corporation accounts for its investment in HF Management Services, LLC, a limited liability company (the "LLC"), using the equity method of accounting. For the year ended December 31, 2013, the Corporation recorded its equity in the income of the LLC of approximately $4,200.

Statement of Revenues, Expenses and Changes in Net Position

The Corporation provides health care services to residents primarily within its geographic area. Expenses, excluding other operating items and bad debt expense, related to providing these services relate to the following functional categories for the year ended December 31, 2013:

Health care services	$ 487,242
General and administrative	55,206
	$ 542,448

Grants

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

Income Taxes

NHCC is exempt from Federal income taxes because of its status as a public benefit corporation.

The organization status of NHCF, LIMF, NewCo, NMA and SOC is as described in Note 1. No provision for income taxes is included in the accompanying financial statements.

The Captive has not elected to be treated as a U.S. taxpayer. There is presently no taxation imposed on income or premiums by the Government of the Cayman Islands. If any form of taxation were to be enacted, the Captive has been granted an exemption through June 6, 2020.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

Recent Adoption of GASB Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Statements No. 14 and No. 34* ("GASB No. 61"). This Statement modifies certain requirements for inclusion of component units in the financial reporting entity based on the financial accountability of the primary government. This Statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. This Statement also clarifies the reporting of equity interests in legally separate organizations. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. The Corporation adopted GASB No. 61 effective January 1, 2013. Refer to the table below for further information regarding the adoption of GASB 61 on the Corporation's financial statements.

In March 2012, GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities* ("GASB 65"). The objective of this Statement is to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues). The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012 and were adopted by the Corporation effective January 1, 2013. As a result of the adoption of GASB 65, gains or losses in connection with advanced debt refundings are recorded as either a deferred outflow (loss) or a deferred inflow (gain) of resources and amortized as an adjustment to interest expense over the original life of the refunded bonds or the life of the refunding bonds, whichever is shorter. Additionally, debt issuance costs previously were amortized over the life of the related debt. Under GASB 65, such costs are expensed as incurred. Refer to the table below for further information regarding the impact of the adoption of GASB 65 on the Corporation's financial statements.

Impact of the Adoption of GASB 61 and 65

As a result of the adoption of GASB 61, the Corporation reevaluated the legal and financial relationships it has with subsidiary and other organizations previously included in its financial statements. Based on the criteria of GASB 61 related to financial accountability and other considerations which would result in the inclusion of an entity in the primary government's financial statements, management concluded that LIFQHC should no longer be included as a

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

component within the Corporation's financial statements. The table below summarizes the impact of this change. The adoption of GASB 65 resulted in the modification of the method previously used to account for the cost of issuance associated with the Corporation's bond issuances and the reclassification of the Corporation's deferred loss on refunding to a deferred outflow of resources.

In accordance with the requirements of these new standards, the Corporation's net position as of January 1, 2013 was restated. The impact on net position and other account balances effective January 1, 2013 was as follows:

	As Previously Reported	Change Due to Adoption of GASB 61 and 65	Restated
Cash and cash equivalents	$ 16,978	$ (1,117)	$ 15,861
Patient accounts receivable	72,117	(570)	71,547
Other receivables	20,464	(520)	19,944
Due from third-party payers	20,703	(8,086)	12,617
Deferred bond issuance costs	1,006	(1,006)	–
Accounts payable and accrued expenses	57,318	(2,235)	55,083
Long-term debt	229,501	20,183	249,684
Deferred outflows of resources	–	20,183	20,183
Total net position	(353,622)	(9,064)	(362,686)

Upcoming Accounting Pronouncements

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans* ("GASB 67"). The objective of this Statement is to improve the usefulness of pension information included in the general purpose external financial reports of state and local governmental pension plans for making decisions and assessing accountability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Since this standard impacts the financial reporting of pension plans, the Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

In June 2012, the GASB voted to approve a new standard that will substantially change the accounting and financial reporting of public employee pensions by state and local governments. Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"), revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires governments providing defined benefit pension benefits to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. GASB 68 also enhances accountability and transparency through revised and new note disclosures and required supplementary information. GASB 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets (mostly investments reported at fair value) set aside in a trust and restricted to paying benefits to current employees, retirees, and their beneficiaries. GASB 68 requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan (see Note 7; the Corporation participates in certain cost-sharing, multiemployer defined benefit plans). GASB 68 also will improve the comparability and consistency of how governments calculate the pension liabilities and expense. The provisions in GASB 68 are effective for fiscal years beginning after June 15, 2014. The Corporation has not completed the process of evaluating the impact of GASB 68 on its financial statements.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations* ("GASB 69"). The objective of this Statement is to improve the accounting for mergers and acquisitions among state and local governments by providing guidance specific to the situations and circumstances encountered within the governmental environment. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

In February 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* ("GASB 70"). The objective of this Statement is to improve the comparability of financial statements among governments by requiring consistent reporting by those governments that extend and/or receive nonexchange financial guarantees. The

(In Thousands)

2. Summary of Significant Accounting Policies (continued)

provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. The Corporation does not anticipate that the implementation of this standard will have an impact on its financial statements.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB 68* ("GASB 71"). The objective of this Statement is to address an issue regarding application of the transition provisions of GASB 68. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. The Corporation has not completed the process of evaluating the impact of GASB 71 on its financial statements.

3. Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents at December 31, 2013 consist of the following:

Cash and cash equivalents	$ 43,059
Certificates of deposit	1,656
Mutual funds – U.S. securities	15
U.S. Treasury bills	1,350
Total	$ 46,080

Investment income on cash and cash equivalents and restricted cash and cash equivalents consists of interest and dividend income of $163 for the year ended December 31, 2013.

(In Thousands)

4. Capital Assets

Capital asset activity for the year ended December 31, 2013 is as follows:

	December 31, 2013				
	Beginning Balance	Additions	Write-offs and Disposals	Transfers	Ending Balance
Land (non-depreciable)	$ 12,498	$ –	$ –	$ –	$ 12,498
Land improvements	14,533	–	(6)	–	14,527
Buildings and improvements	224,504	342	(8,530)	10,415	226,731
Fixed equipment	110,018	1,413	(879)	–	110,552
Movable equipment	158,061	9,259	–	3,714	171,034
Construction-in-progress	12,910	21,901	–	(14,129)	20,682
	532,524	32,915	(9,415)	–	556,024
Less accumulated depreciation	354,461	20,189	(7,266)	–	367,384
Total	$ 178,063	$ 12,726	$ (2,149)	$ –	$ 188,640

The Corporation wrote off approximately $9,415 of partially depreciated assets in 2013. The loss on disposal of these assets was approximately $2,149 for the year ended December 31, 2013. Net interest capitalized for the year ended December 31, 2013 was approximately $673.

5. Long-term Debt

Long-term debt at December 31, 2013 consists of the following:

2004 Series B Bonds payable at varying dates through August 1, 2014, bearing interest at tax-exempt, fixed interest rates ranging from 3.0% to 5.0%	$ 2,512
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 5.24% in 2013	24,118
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 3.71% in 2013	220,840
	247,470
Net unamortized bond premium	18
Current portion	(4,522)
	$ 242,966

(In Thousands)

5. Long-term Debt (continued)

Concurrent with the September 29, 1999 acquisition of the NUMC entities by NHCC (see Note 1), $259,735 of Nassau Health Care Corporation Health System Revenue Bonds, Series 1999 (the "Series 1999 Revenue Bonds"), were issued. Of the proceeds received from the issuance of the Series 1999 Revenue Bonds, $82,000 was used to fund the Corporation's above-mentioned purchase. On October 8, 2004, $303,355 of Nassau Health Care Corporation Bonds, Series 2004 A, B and C Bonds (the "Series 2004 Bonds") were issued to refund the Corporation's Series 1999 Revenue Bonds, finance capital projects and pay the costs of issuance, including the required premium of the Bond Insurer. The transaction resulted in the Corporation receiving approximately $41,000 of cash, of which $26,000 was available for working capital and $15,000 for new capital project financing.

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 term bonds. The LOCs were scheduled to expire in May 2012 and were extended with expiration dates for the various series of bonds ranging from February 2015 to May 2015. If the Corporation draws on the LOCs to purchase the Series 2009 Bonds, the VRDBs will convert to bank term bonds and repayment will commence over various long-term periods as stipulated in each LOC no earlier than 270 days from the drawing date. Principal amounts related to the Series 2009 A Bonds mature annually each August 1, beginning in fiscal year 2013 through fiscal year 2022. Principal amounts related to the Series 2009 B, C, and D Bonds mature annually each August 1, beginning in fiscal year 2015 through fiscal year 2029. The interest rates under the VRDBs are determined on a periodic basis (weekly or quarterly depending on the series of bonds) through a remarketing process.

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 2004 and Series 2009 Bonds. The County guaranty may be amended without consent of the bond owners.

In connection with the issuance of the Series 2004 and 2009 Bonds, the Corporation incurred a loss of approximately $38,000 and $3,700, respectively. The loss (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. The total deferred loss to be amortized has not been adjusted for a prepayment in 2008 of a portion of outstanding debt and the issuance of the Series 2009 Bonds; however, future amortization of the deferred loss was so adjusted. Amortization of the deferred loss is $2,214 for the year ended December 31, 2013.

(In Thousands)

5. Long-term Debt (continued)

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

Initially in connection with the issuance of the Series 2004 Bonds, the Corporation entered into interest rate swap agreements with commercial banks to effectively convert interest payments on the variable interest rate Series C Bonds to a fixed interest rate based on a total initial notional amount of $220,000 that declines as debt is repaid. The fixed interest rate paid by the Corporation under the swap agreements is 3.46% and the variable rate received is based on LIBOR. Subsequent to the redemption of the Series 2004 C Bonds through the issuance of the Series 2009 Bonds, the swap agreements remain in place for the Series 2009 Bonds and expire on August 1, 2029.

The swap agreements expose the Corporation to market risk, in the event of changes in interest rates, and credit risk, in event of nonperformance by the counterparty. However, the Corporation believes that the risk of a material impact to its financial condition arising from such events is low. The County guarantees payments to the swap contract counterparties. The fair value of the derivative instruments is reported as a liability of approximately $24,880 at December 31, 2013 in the accompanying statement of net position. The change in fair value for the year ended December 31, 2013 totaled $18,616 (increase to net position) and is reported as an other operating item in the accompanying statement of revenues, expenses and changes in net position.

(In Thousands)

5. Long-term Debt (continued)

Principal payments on long-term debt are due annually on August 1. Interest payments are due semiannually on February 1 and August 1. Estimated interest is based on the original amortization schedules. Payments applicable to long-term debt for years subsequent to December 31, 2013 are as follows:

	Principal	Estimated Interest
2014	$ 4,522	$ 9,484
2015	13,005	9,261
2016	13,545	8,754
2017	14,115	8,226
2018	14,695	7,674
2019 to 2023	81,675	29,222
2024 to 2028	87,174	13,325
2029 to 2032	18,739	695
	$ 247,470	$ 86,641

In January 2013, the Corporation issued $40,000 of taxable 2013 Revenue Anticipation Notes ("2013 RANs") that were due in December 2013 and secured by scheduled IGT payments and other New York state payments. The 2013 RANs were repaid in full in December 2013.

(In Thousands)

6. Transactions with the County of Nassau

The following amounts are included in the accompanying statement of revenues, expenses and changes in net position, and represent transactions that occurred between the County and the Corporation during the year ended December 31, 2013:

Revenue earned from the County:	
Patient care	$ 2,406
Space charges	1,174
Non-patient care	6,714
Health insurance for retiree charges	10,406
Intergovernmental transfer – County	13,000
	33,700
County pass-through transactions:	
Amounts paid on behalf of the County	4,546
State aid and other amounts collected by the County	1,019
Total transactions with the County	$ 39,265

Payments from the County for patient care, space charges, health insurance for retirees and non-patient care are made to the Corporation through quarterly advances. Non-patient care charges consist of nursing salaries and fringe benefits to provide home health care to eligible Nassau County residents. Payments from the County for patient care and IGT subsidies 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.

(In Thousands)

7. Retirement Plans

Retirement Plan Descriptions

Substantially all employees are covered by retirement plans of the New York State and Local Employees' Retirement System and the Public Employees' Group Life Insurance Plan (the "Retirement Systems"). These are cost-sharing, multiemployer defined benefit retirement plans. The Retirement Systems provide retirement, death and disability benefits. Obligations of employers and employees to contribute and benefits to employees, are governed by the New York State Retirement and Social Security Law ("NYSRSSL"). As set forth in the NYSRSSL, the Comptroller of the State of New York (the "Comptroller") serves as sole trustee and administrative head of the Retirement Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Retirement Systems and for the custody and control of their funds. The Retirement Systems issue publicly available financial reports that include financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, Gov. Alfred E. Smith State Office Building, Albany, NY 12244.

Retirement Plans Funding Policy

The Retirement Systems are noncontributory, except for those employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salaries. The State Legislature passed legislation in 2000 that suspended the 3% contribution for employees who have attained ten years or more of credited service. In addition, members who meet certain eligibility requirements will receive one month's additional service credit for each completed year of service up to a maximum of two additional years of service credit. Under the authority of the NYSRSSL, the Comptroller shall annually certify the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by the employers to the pension accumulation fund.

The cash contribution to the Retirement Systems for the years ended December 31, 2013, 2012 and 2011 was approximately $33,445, $30,258 and $30,379, respectively. For the years ended December 31, 2013, 2012 and 2011, pension expense was approximately $37,400, $36,930 and $32,024, respectively. The Corporation's accompanying financial statements reflect the cash contributions and expense above. As described in Note 2, beginning in January 2015, the Corporation will be required to record a liability and expense equal to its proportionate share of the collective net liability and expense for the cost-sharing plans.

(In Thousands)

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, 2013, expenses related to health insurance benefits totaled approximately $58,000.

9. Postemployment Retirement Healthcare Benefit Plan

Plan Description

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

Funding Policy

There are no employee contributions required for the NYSHIP plan. The Corporation contributes, through the County, a proportionate amount of the health insurance premiums for all employees who retire. The Corporation's responsibility is based on the proportion of time the individual was employed by the Corporation compared to the time employed by the County. The Corporation funds such expenditures as incurred. Amounts paid relative to these benefits amounted to approximately $4,794 for the year ended December 31, 2013.

(In Thousands)

9. Postemployment Retirement Healthcare Benefit Plan (continued)

Annual OPEB Cost

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

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

Annual required contribution	$ 39,353
Interest on net OPEB obligation	10,520
Adjustment to ARC	(9,533)
Contributions made (reported in operating expenses)	(7,061)
Increase in net OPEB obligation (reported as other operating item)	33,279
Net OPEB obligation – beginning of year	247,539
Net OPEB obligation – end of year	$ 280,818

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2013	$ 40,340	17.5%	$ 280,818
December 31, 2012	39,897	15.8	247,539
December 31, 2011	58,356	9.6	213,930

9. Postemployment Retirement Healthcare Benefit Plan (continued)

As of December 31, 2013, the actuarial accrued liability for benefits was $368,433, all of which was unfunded. As of December 31, 2013, the covered payroll (annual payroll of active employees covered by the NYSHIP plan) was $161,738, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 227.8%.

The actuarial valuation date is January 1, 2013. Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information provides multi-year trend information for the actuarial accrued liability for benefits.

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

For the December 31, 2013 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25% discount rate in 2013 and an annual health care cost trend rate of 8.00% in 2013 and grading down to an ultimate rate of 5%. The unfunded actuarial accrued liability is being amortized over a rolling 30-year period, as a level percentage of payroll.

10. Professional and Other Insurance Liabilities

For the policy years ended (or ending) September 29, 2007 to 2014, the Captive issued hospital professional and employee benefits policies on a claims-made basis and commercial general policies on an occurrence basis. The Captive's liability on the hospital professional and employee benefits policies is $7,000 per person ($10,000 for policy years prior to 2008) with no aggregate limit and $1,000 per claim up to an aggregate of $1,000, respectively. An excess buffer limit of $3,000 per person/$3,000 in the aggregate was introduced above the $7,000 per person primary limit on the hospital professional policy for the September 29, 2012 renewal. The

10. Professional and Other Insurance Liabilities (continued)

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.

The Captive is subject to minimum capital requirements as established by the Cayman Islands Monetary Authority (the "Monetary Authority"). The Corporation has committed to fund any shortfalls of capital relative to the minimum statutory requirements and to provide any necessary financial support to the Captive as may be deemed necessary. The Captive's ability to operate is dependent upon such support. In March 2014, the Corporation funded approximately $1,200 to meet the Captive's minimum capital requirements at December 31, 2013.

In 2006, the Captive loaned the Corporation $10,000. The loan is re-payable on demand and has been renewed until December 31, 2014. The loan bears 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 is repayable on demand and matures on December 31, 2014. The loan bears interest at a rate of 4% per annum and is payable semiannually. At December 31, 2013, the full loan amount of $20,000 under both loans remains outstanding; such balance is eliminated in the accompanying statement of net position.

The Captive has entered into a note agreement with the Corporation in the amount of $5,500 (the "Note"). The Note is unfunded. The Note is unsecured, non-interest bearing and has no specific terms of repayment. The Captive may cancel the Note at any time. In order to support the ability for the Captive to continue operations, the Captive may call the Note to provide cash flow as loss reserves develop. The ability of the Captive to receive payment under the Note is dependent on the Corporation's financial strength. The Monetary Authority has indicated that it recognizes the Note as funds available to meet the Captive's minimum statutory requirements for net worth in the Cayman Islands. At December 31, 2013, the Captive was in compliance with its minimum capital requirement due to the funding provided by the Corporation in March 2014.

(In Thousands)

10. Professional and Other Insurance Liabilities (continued)

The Captive's activity in the loss reserves and loss adjustment expenses is summarized as follows for the year ended December 31, 2013:

Balance at beginning of year	$ 41,968
Incurred related to:	
Current year	9,184
Prior years	3,970
Total incurred	13,154
Paid relating to:	
Current year	186
Prior years	8,287
Total paid	8,473
Balance at end of year	$ 46,649

Losses and loss adjustment expenses for incurred claims for prior years represent changes in estimates of the ultimate settlement of such losses. In 2013, the Captive experienced unfavorable loss development in which the actual settlements were worse than expected for claims that occurred previously.

Insurance reserves and the related insurance losses and loss adjustment expenses, recorded through the Captive, have been discounted based on an assumed interest rate of 4.0% at December 31, 2013.

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, 2013, insurance expense totaled $11,789.

An actuarially determined tail liability for estimated exposure from claims incurred but not reported under the Captive's claims-made coverage of approximately $1,995, based on a discount rate of 4.0% at December 31, 2013, is included in the professional and other insurance liabilities in the accompanying statement of net position.

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 executed, effective January 1, 2005, and expired on December 31, 2009. The Corporation negotiated a new contract that was ratified in February 2013, effective January 1, 2010. The contract contains no retroactive adjustments to years prior to 2013. The new agreement expires on December 31, 2015. Substantively, the agreement calls for two bonus payments, one in 2013 and one in 2014, and a 4% wage increase effective January 1, 2015.

Litigation and Claims

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

Berger Commission

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

The Corporation intends to comply with the remainder of the Berger Commission's recommendations, and management continues to work closely with the NYSDOH to provide for their cost-effective implementation. To begin the implementation of the recommendations of the Berger Commission, the Corporation's Board of Directors authorized an initial surrender of 309

(In Thousands)

11. Commitments and Contingencies (continued)

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

12. Other Operating Revenue

Other operating revenue consists of the following for the year ended December 31, 2013:

Other non-patient related County billings	$ 17,320
State aid	20,344
Health Centers – LIFQHC staffing reimbursement	6,452
Medical staff housing	970
Equity in investment in LLC	4,210
Cafeteria	450
Rotating residents	252
Parking	34
Clerkship fees	1,604
Anesthesia staffing reimbursement	3,150
Other miscellaneous revenue	8,333
	$ 63,119

(In Thousands)

13. Long-Term Debt and Other Noncurrent Liabilities

A schedule of changes in the Corporation's long-term debt and noncurrent liabilities for 2013 follows:

	Balance December 31, 2012	Additions	Deductions	Balance December 31, 2013	Amounts Due Within One Year
Long-term debt *(Note 5)*:					
2004 Series B Bonds	$ 4,997	$ –	$ (2,485)	$ 2,512	$ 2,512
2009 Series A Bonds	25,995	–	(1,877)	24,118	2,010
2009 Series B-D Bonds	220,840	–	–	220,840	–
Bond premium	65	–	(47)	18	–
Current portion	(4,360)	(162)	–	(4,522)	–
Total long-term debt	247,537	(162)	(4,409)	242,966	4,522
Other long-term liabilities:					
Professional and other insurance liabilities – non-current *(Note 10)*	37,468	2,018	–	39,486	–
Postemployment benefits other than pensions *(Note 9)*	247,539	33,279	–	280,818	–
Derivative instruments	43,496	–	(18,616)	24,880	–
Other long-term liabilities	–	1,215	–	1,215	–
Total noncurrent liabilities	$ 576,040	$ 36,350	$ (23,025)	$ 589,365	$ 4,522

14. County of Nassau, New York, Financial Situation

The County provides the Corporation historic mission subsidies, Article VI service payments, payments for certain health services, IGT and various other payments throughout each fiscal year. Additionally, the County is the direct-pay guarantor of the Corporation's Series 2004 and Series 2009 Bonds, as well as guarantor to its swap counterparties. It is not possible to predict the effect, if any, the County's current or future operations or financial position will have on the financial statements of the Corporation.

(In Thousands)

15. Subsequent Events

In January 2014, the Corporation issued $40,000 of taxable 2014 Revenue Anticipation Notes ("2014 RANs") due in December 2014. The 2014 RANs were issued in anticipation of receipt by the Corporation of Federal IGT payments. The Corporation has pledged certain Medicaid related program payments to be received from the State of New York and certain other funds for the payment of the principal and interest on the 2014 RANs.

Required Supplementary Information

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Schedule of Funding Progress for the Postemployment Retiree Healthcare Plan
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2013	–	$ 368,433	$ 368,433	0%	$ 161,738	227.8%
January 1, 2012	–	345,319	345,319	0	165,071	209.2
January 1, 2011	–	419,616	419,616	0	165,128	254.1

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards*

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Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with *Government Auditing Standards*

The Board of Directors
Nassau Health Care Corporation and Subsidiaries

We have audited, in accordance with the auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Nassau Health Care Corporation and Subsidiaries (component unit of Nassau County) (the Corporation) as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Corporation's basic financial statements, and have issued our report thereon dated June 26, 2014. Our report includes emphasis-of-matter paragraphs regarding accounting changes adopted in 2013.

Internal Control over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Ernst & Young LLP

June 26, 2014

Supplementary Information

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Combining Statement of Net Position

December 31, 2013

	NUMC	AHP*	Health Centers*	FPP*	NHCC, Ltd.	Foundation	Eliminations	Total
				(In Thousands)				
Assets								
Current assets:								
Cash and cash equivalents	$ 9,928	$ 2,481	$ 428	$ –	$ –	$ –	$ –	$ 12,837
Cash and cash equivalents – restricted, current portion	15,954	3,356	690	2,834	9,159	–	–	31,993
Patients accounts receivable, net	50,084	13,806	–	7,991	–	–	–	71,881
Inventories	6,956	331	–	–	–	–	–	7,287
Prepaid expenses	1,698	122	76	–	11	26	–	1,933
Other receivables	12,789	15,997	266	–	–	–	–	29,052
Due from third-party payers	868	–	–	–	–	–	–	868
Investment in NHCC, Ltd.	13,620	–	–	–	–	–	(13,620)	–
Due from County of Nassau – net	4,734	–	–	–	–	–	–	4,734
Due from other funds – net	–	41,117	–	–	26,717	–	(67,834)	–
Total current assets	116,631	77,210	1,460	10,825	35,887	26	(81,454)	160,585
Noncurrent assets:								
Cash and cash equivalents – restricted, net of current portion	–	–	–	–	9,994	4,093	–	14,087
Capital assets – net (depreciable)	154,161	11,787	10,164	–	–	30	–	176,142
Capital assets (non-depreciable)	98	12,400	–	–	–	–	–	12,498
Other assets	23,388	–	350	–	–	–	–	23,738
Total noncurrent assets	177,647	24,187	10,514	–	9,994	4,123	–	226,465
Total assets	294,278	101,397	11,974	10,825	45,881	4,149	(81,454)	387,050
Deferred outflows of resources								
Deferred loss on bond refunding	15,440	4,238	505	–	–	–	–	20,183

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Combining Statement of Net Position (continued)

December 31, 2013

	NUMC	AHP*	Health Centers*	FPP*	NHCC, Ltd.	Foundation	Eliminations	Total
				(In Thousands)				
Liabilities								
Current liabilities:								
Accounts payable and accrued expenses	$ 41,905	$ 6,375	$ 581	$ 12	$ 87	$ –	$ (11)	$ 48,949
Accrued salaries, wages and payroll taxes	14,731	2,476	302	2,834	–	–	–	20,343
Accrued vacation and sick pay	38,365	12,924	1,567	–	–	–	–	52,856
Accrued pension benefits	37,159	8,365	2,232	–	–	–	–	47,756
Accrued interest payable	1,749	179	37	–	–	–	(900)	1,065
Due to third-party payers	–	20,066	–	500	–	–	–	20,566
Due to other funds – net	23,855	–	36,816	559	–	–	(61,230)	–
Current portion of professional and other insurance liabilities	–	–	–	–	9,159	–	–	9,159
Current portion of long-term debt	3,459	950	113	–	–	–	–	4,522
Total current liabilities	161,223	51,335	41,648	3,905	9,246	–	(62,141)	205,216
Noncurrent liabilities:								
Long-term debt	185,869	51,023	6,074	–	–	–	–	242,966
Professional and other insurance liabilities	1,995	–	–	–	37,491	–	–	39,486
Postemployment benefits other than pensions	224,036	47,992	8,790	–	–	–	–	280,818
Derivative instruments	19,847	4,175	858	–	–	–	–	24,880
Other long-term liabilities	29	–	1,186	–	5,693	–	(5,693)	1,215
Total noncurrent liabilities	431,776	103,190	16,908	–	43,184	–	(5,693)	589,365
Total liabilities	592,999	154,525	58,556	3,905	52,430	–	(67,834)	794,581
Net position								
Net investment in capital assets	92,741	(9,793)	10,164	–	–	30	–	93,142
Restricted	–	–	–	–	–	2,066	–	2,066
Unrestricted (deficit)	(376,022)	(39,097)	(56,241)	6,920	(6,549)	2,053	(13,620)	(482,556)
Total net position	$ (283,281)	$ (48,890)	$ (46,077)	$ 6,920	$ (6,549)	$ 4,149	$ (13,620)	$(387,348)

**Refer to Note 1 to the accompanying financial statements. AHP, the Health Centers and FPP are operational divisions of NUMC.*

Nassau Health Care Corporation and Subsidiaries
(Component Unit of Nassau County)

Combining Statement of Revenues, Expenses and Changes in Net Position

Year Ended December 31, 2013

	NUMC	AHP*	Health Centers*	FPP*	NHCC, Ltd.	Foundation	Eliminations	Total
				(In Thousands)				
Operating revenue:								
Net patient service revenue (net of the provision for bad debts)	$ 370,535	$ 74,047	$ –	$ 24,994	$ –	$ –	$ (11,995)	$ 457,581
Other operating revenue	52,967	561	8,997	–	7,432	5,912	(12,750)	63,119
Investment income	132	14	4	–	902	11	(900)	163
Total operating revenue before other operating items	423,634	74,622	9,001	24,994	8,334	5,923	(25,645)	520,863
Operating expenses:								
Salaries and wages	199,213	29,910	4,720	10,563	–	4,152	–	248,558
Employee benefits	98,004	17,752	2,541	395	–	565	–	119,257
Supplies and other	122,298	13,779	2,237	14,036	13,414	872	(24,745)	141,891
Interest and amortization	8,062	2,927	315	–	–	–	(900)	10,404
Depreciation	18,472	1,021	674	–	–	22	–	20,189
Loss on disposal of capital assets	2,149	–	–	–	–	–	–	2,149
Total operating expenses before other operating items	448,198	65,389	10,487	24,994	13,414	5,611	(25,645)	542,448
(Deficiency) excess of operating revenue over operating expenses before other operating items	(24,564)	9,233	(1,486)	–	(5,080)	312	–	(21,585)
Other operating items:								
Employee benefits expense (unfunded portion of postemployment benefits other than pensions)	(26,550)	(5,687)	(1,042)	–	–	–	–	(33,279)
Change in fair value of derivative instruments	15,992	2,066	558	–	–	–	–	18,616
Amortization of deferred loss on refunding (interest expense)	(1,902)	(246)	(66)	–	–	–	–	(2,214)
(Deficiency) excess of operating revenue over operating expenses	(37,024)	5,366	(2,036)	–	(5,080)	312	–	(38,462)
Grants for capital asset acquisitions	13,800	–	–	–	–	–	–	13,800
Change in net position	(23,224)	5,366	(2,036)	–	(5,080)	312	–	(24,662)
Net position, beginning of year (as previously reported)	(259,255)	(54,087)	(35,948)	6,920	(1,469)	3,837	(13,620)	(353,622)
Cumulative effect of changes in accounting	(802)	(169)	(8,093)	–	–	–	–	(9,064)
Net position, beginning of year (as adjusted)	(260,057)	(54,256)	(44,041)	6,920	(1,469)	3,837	(13,620)	(362,686)
Net position, end of year	$ (283,281)	$ (48,890)	$ (46,077)	$ 6,920	$ (6,549)	$ 4,149	$ (13,620)	$ (387,348)

**Refer to Note 1 to the accompanying financial statements. AHP, the Health Centers and FPP are operational divisions of NUMC.*

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APPENDIX D

2015 BUDGET

NuHealth
Together through life.

Nassau University Medical Center
A. Holly Patterson Extended Care Facility
Family Health Centers

NASSAU HEALTH CARE CORPORATION & SUBSIDIARIES

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2015

Nassau Health Care Corporation and Subsidiaries
Operating Budget For Twelve Months Ending December 31, 2015
Index I

EXECUTIVE SUMMARY

The Nassau Health Care Corporation (NHCC) closed 2013 with an operating deficit of $21.6 million. NHCC's 2014 operating budget called for a surplus of $43,000 and management's current projection is a slight surplus of approximately $500,000. It should be noted that 2014 is benefited by the receipt of Interim Access Assurance Funds ("IAAF") totaling $26 million, which offset a potential deficit of $25.5 million.

Ongoing operational and revenue improvements during 2014 were offset by a worsening case mix index coupled with a declining discharge volume experienced at NHCC and throughout Long Island. The 2015 operating budget is anticipating a small surplus of $553,000 due to increased services in neurosurgery and orthopedics and to a lesser extent obstetrics and gynecology. Also contributing to the turnaround are ongoing efforts to improve revenue cycle.

NHCC's projected results before "Other Operating Items" is divided among the enterprises as follows:

- Nassau University Medical Center ("NUMC") ($2.95 million deficit)
- Holly Patterson Extended Care Facility ("AHPECF") +$2.50 million
- NHCC, Ltd. ("LTD") +$1.0 million.

EXECUTIVE SUMMARY (Continued)

Revenue cycle improvements have been an ongoing initiative and NHCC has made improvements going into 2015 in its charge master, managed care contracting rates, outpatient billing improvements and denial management. The 2015 budget includes $7.1 million of new revenue from these initiatives.

The 2015 budget will be an ongoing process and is presented as a working document. Management will be continually monitoring the assumptions contained in the budget to ensure the success of various initiatives and reviewing areas of possible expense reduction and revenue enhancement throughout the year. To assure fiscal responsibility and accountability on behalf of NHCC, all expenditures and staffing requirements presented in this budget will be subject to continuous review, and evaluation as needs dictate.

FACILITY SPECIFIC ASSUMPTIONS

Nassau University Medical Center

Revenue Assumptions

Baseline patient day and discharge volumes for fiscal 2014 are projected on the basis of 9 months of actual utilization in fiscal 2014. The budget assumes that fiscal 2015 inpatient volume will be relatively unchanged from 2014 projected volume.

Year	DISCHARGE VOLUMES	% CHANGE FROM PREVIOUS YEAR
2009	23,861	(0.09%)
2010	23,299	(2.36%)
2011	24,108	3.47%
2012	22,347	(7.30%)
2013	21,165	(5.29%)
2014 Projected	20,689	(2.25%)
2015 Budget	20,694	.02%

Budgeted operating revenue in 2015 is projected to increase by $15.6 million over projected 2014 revenue. Improvements in revenue cycle in addition to increased volumes in neurosurgery and orthopedics are driving this projected increase.

Medicaid and Medicare case mix indexes ("CMI") are budgeted at .9906 and 1.28, respectively, as compared with the year-to-date 2014 level of .9291 for Medicaid and 1.30 for Medicare.

FACILITY SPECIFIC ASSUMPTIONS

Nassau University Medical Center (Continued)

Expense Assumptions

Salary and Fringe Benefit expense has been budgeted at 305.7 million, an increase of $15.0 million from the 2014 projected actual of $290.7 million. The growth results from a 4% contractual rate increase effective January 1, 2015, a step increase throughout 2015, and increasing fringe benefit costs. These increases are partially offset by a decrease in the number of full-time equivalent ("FTE") staffing positions.

Supplies expense and general expenses are projected to decrease by $2.4 million or 2.3% from the 2014 projected actual. Utilities are projected to increase $1.6 million or 9.0% from the 2014 projected actual.

Depreciation expense is projected based upon historical information with consideration given to the current and future capital expenditure requirements.

Interest expense is projected utilizing actual amortization amounts relating to the direct pay letters of credit in place as of April 2009, the synthetic rate swap arrangements put in place in October 2004 and $33.7 million bond redemption in 2008.

Bad Debt expense is budgeted at $37.8 million, which represents 10.6% of total patient revenue compared with 10.9% projected for 2014. This decrease is a direct impact of the revenue cycle initiatives.

FACILITY SPECIFIC ASSUMPTIONS

A. Holly Patterson Extended Care Facility

Revenue Assumption

Occupancy levels are budgeted at 93.7%, or an average daily census (ADC) of 551.8 for 2015. This compares to 95.8% or an ADC of 564.0 projected for 2014.

Net patient revenue is projected to decrease by $2.3 million largely resulting from decreasing volume.

Expense Assumptions

Salary and Fringe Benefit expense has been budgeted at $47.8 million, an increase of $1.1 million from the 2014 projected actual. The increase results from a 4% rate increase effective January 1, 2014, step increases throughout the year, and anticipated fringe benefit growth.

Supplies expense and General expenses are budgeted to decrease $2.3 million or 16.5% from the 2014 projected actual.

Utilities are projected to increase $.1 million or 4.9% from the 2014 projected actual.

Bad Debt expense is expected to remain relatively unchanged from the 2014 projected actual.

SECTION TWO

OPERATING BUDGET

FISCAL YEAR ENDED DECEMBER 31, 2015

COMPARATIVE FINANCIAL STATEMENT PRESENTATION

OHSUSA:752250372.19

Nassau Health Care Corporation and Subsidiaries

Projected Revenue & Expenses

Consolidated

(In Thousands)

	*Audited ** FYE 12/31/2012	*Audited ** FYE 12/31/2013	*Projected* FYE 12/31/2014	*Budgeted* FYE 12/31/2015
Operating Revenues:				
Net patient service revenue	419,479	428,185	430,465	440,680
NYS Intergovernmental transfer	69,860	58,433	50,606	53,244
Interim Access Assurance Fund (IAAF)	-	-	26,075	11,100
Nassau County Billings	19,940	19,719	16,908	20,627
Historical Mission Payments	18,000	13,000	13,001	13,001
Federal & State Aid	15,268	20,344	10,000	15,000
Practice Plan Revenue	-	-	-	-
Investment Income	1,418	152	1,146	1,042
Services to LIFQHC	-	-	13,561	14,400
Miscellaneous	22,582	32,292	18,694	24,932
Total operating revenue	566,547	572,125	580,456	594,026
Operating Expenses:				
Salaries	236,589	244,406	227,622	236,685
Fringe Benefits	114,487	118,692	121,759	127,012
Supplies	33,270	48,906	35,918	34,518
Expenses	92,575	88,806	90,832	89,122
Utilities	18,943	17,960	19,308	20,985
Depreciation Expense	20,181	20,166	19,534	19,628
Interest & Amortization	12,846	10,403	11,423	11,001
Services to LIFQHC	-	-	13,561	14,400
Bad Debt Expense	40,465	44,684	40,000	40,122
Total operating expenses	569,356	594,023	579,956	593,473
Gain (Loss) From Operations	(2,809)	(21,898)	500	553
Other Operating Items:				
Other Post Employment Benefits	(33,609)	(33,279)	(36,503)	(32,904)
Change in Derivative Instruments	1,045	18,616	(4,333)	21,897
Grants for Capital Asset Acquisition	2,735	13,800	16,855	5,999
Third Party Retro Rate Adjustment	(10,000)	-	-	-
Amortization of Refunding Loss	(2,257)	(2,214)	(2,166)	(2,176)
Total Other Operating Items	(42,086)	(3,077)	(26,147)	(7,184)
Net income (loss)	(44,895)	(24,975)	(25,647)	(6,631)

** Captive not eliminated / NHCF Eliminated*

OHSUSA:752250372.19

Nassau Health Care Corporation and Subsidiaries

Projected Revenue & Expenses

Consolidated

Comparative

(In Thousands)

	Nassau University Medical Center Budgeted FYE 12/31/2015	A. Holly Patterson Budgeted FYE 12/31/2015	Physician Faculty Practice Plan Budgeted FYE 12/31/2015	Nassau Health Care Corp, LTD. Budgeted FYE 12/31/2015	Budgeted FYE 12/31/2015
Operating Revenues:					
Net patient service revenue	355,422	58,627	26,631	-	440,680
NYS Intergovernmental transfer	45,226	8,018	-	-	53,244
Interim Access Assurance Fund (IAAF)	11,100	-	-	-	11,100
Nassau County Billings	20,627	-	-	-	20,627
Historical Mission Payments	10,193	2,808	-	-	13,001
Federal & State Aid	15,000	-	-	-	15,000
Practice Plan Revenue	14,274	-	(14,274)	-	-
Investment Income	30	12	-	1,000	1,042
Services to LIFQHC	14,400	-	-	-	14,400
Miscellaneous	15,600	44	-	9,288	24,932
Total operating revenue	501,872	69,509	12,357	10,288	594,026
Operating Expenses:					
Salaries	198,707	28,720	9,258	-	236,685
Fringe Benefits	106,970	19,115	927	-	127,012
Supplies	30,784	3,734	-	-	34,518
Expenses	69,560	8,102	2,172	9,288	89,122
Utilities	19,316	1,669	-	-	20,985
Depreciation Expense	18,739	889	-	-	19,628
Interest & Amortization	8,592	2,409	-	-	11,001
Services to LIFQHC	14,400	-	-	-	14,400
Bad Debt Expense	37,751	2,371	-	-	40,122
Total operating expenses	504,819	67,009	12,357	9,288	593,473
Gain (Loss) From Operations	(2,947)	2,500	-	1,000	553
Other Operating Items:					
Other Post Employment Benefits	(26,904)	(6,000)	-	-	(32,904)
Change in Derivative Instruments	22,581	(684)	-	-	21,897
Grants for Capital Asset Acquisition	5,999	-	-	-	5,999
Third Party Retro Rate Adjustment	-	-	-	-	-
Amortization of Refunding Loss	(1,676)	(500)	-	-	(2,176)
Total Other Operating Items	-	(7,184)	-	-	(7,184)
Net income (loss)	(2,947)	(4,684)	-	1,000	(6,631)

Nassau Health Care Corporation and Subsidiaries

Budgeted Revenue & Expenses

Consolidated

For the twelve months ended 12/31/15

(In Thousands)

	2015 Budgeted												2015	Projected FYE
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	12/31/2014
Operating Revenues:														
Net patient service revenue	37,428	33,805	37,428	36,221	37,428	36,221	37,428	37,428	36,221	37,428	36,221	37,425	440,680	430,465
NYS Intergovernmental transfer	4,522	4,084	4,522	4,376	4,522	4,376	4,522	4,522	4,376	4,522	4,376	4,524	53,244	50,606
Interim Access Assurance Fund (IAAF)	943	852	943	912	943	912	943	943	912	943	912	942	11,100	26,075
Nassau County Billings	1,752	1,583	1,752	1,696	1,752	1,696	1,752	1,752	1,696	1,752	1,696	1,748	20,627	16,908
Historical Mission Payments	1,104	997	1,104	1,069	1,104	1,069	1,104	1,104	1,069	1,104	1,069	1,104	13,001	13,001
Federal & State Aid	1,274	1,151	1,274	1,233	1,274	1,233	1,274	1,274	1,233	1,274	1,233	1,273	15,000	10,000
Practice Plan Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	89	80	89	85	89	85	89	89	85	89	85	88	1,042	1,146
Services to LIFQHC	1,223	1,105	1,223	1,184	1,223	1,184	1,223	1,223	1,184	1,223	1,184	1,221	14,400	13,561
Miscellaneous	2,118	1,914	2,118	2,049	2,118	2,049	2,118	2,118	2,049	2,118	2,049	2,114	24,932	18,694
Total operating revenue	50,453	45,570	50,453	48,825	50,453	48,825	50,453	50,453	48,825	50,453	48,825	50,439	594,026	580,456
Operating Expenses:														
Salaries	20,351	18,406	19,851	19,204	20,101	19,204	20,101	19,851	19,454	20,101	19,954	20,105	236,685	227,622
Fringe Benefits	11,109	10,063	10,840	10,463	10,920	10,377	10,779	10,577	10,295	10,600	10,479	10,511	127,012	121,759
Supplies	2,932	2,648	2,932	2,837	2,932	2,837	2,932	2,932	2,837	2,932	2,837	2,930	34,518	35,918
Expenses	7,569	6,837	7,569	7,325	7,569	7,325	7,569	7,569	7,325	7,569	7,325	7,569	89,122	90,832
Utilities	1,783	1,610	1,783	1,725	1,783	1,725	1,783	1,783	1,725	1,783	1,725	1,777	20,985	19,308
Depreciation Expense	1,668	1,506	1,668	1,613	1,668	1,613	1,668	1,668	1,613	1,668	1,613	1,662	19,628	19,534
Interest & Amortization	935	844	935	904	935	904	935	935	904	935	904	931	11,001	11,423
Services to LIfQHC	1,223	1,105	1,223	1,184	1,223	1,184	1,223	1,223	1,184	1,223	1,184	1,221	14,400	13,561
Bad Debt Expense	3,407	3,078	3,407	3,298	3,407	3,298	3,407	3,407	3,298	3,407	3,298	3,410	40,122	40,000
Total operating expenses	50,977	46,097	50,208	48,553	50,538	48,467	50,397	49,945	48,635	50,218	49,319	50,116	593,473	579,956
Gain (Loss) From Operations	(525)	(527)	244	272	(86)	358	55	507	190	234	(494)	322	553	500
Other Operating Items:														
Other Post Employment Benefits	(2,795)	(2,524)	(2,795)	(2,704)	(2,795)	(2,704)	(2,795)	(2,795)	(2,704)	(2,795)	(2,704)	(2,794)	(32,904)	(36,503)
Change in Derivative Instruments	1,859	1,680	1,859	1,800	1,859	1,800	1,859	1,859	1,800	1,859	1,800	1,863	21,897	(4,333)
Grants for Capital Asset Acquisition	510	460	510	493	510	493	510	510	493	510	493	507	5,999	16,855
Third Party Retro Rate Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Refunding Loss	(184)	(166)	(184)	(179)	(184)	(179)	(184)	(184)	(179)	(184)	(179)	(190)	(2,176)	(2,166)
Total Other Operating Items	(610)	(550)	(610)	(590)	(610)	(590)	(610)	(610)	(590)	(610)	(590)	(614)	(7,184)	(26,147)
Net income (loss)	(1,135)	(1,077)	(366)	(318)	(696)	(232)	(555)	(103)	(400)	(376)	(1,084)	(292)	(6,631)	(25,647)

Nassau Health Care Corporation and Subsidiaries

Budgeted Cash Flow (Unrestricted)

Consolidated

For the twelve months ended 12/31/15

(In Thousands)

	2015 Budgeted												
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
Beginning Cash Balance:	$ 78,328	$ 117,113	$ 89,170	$ 78,809	$ 79,243	$ 81,184	$ 71,092	$ 70,640	$ 59,073	$ 56,790	$ 56,024	$ 55,078	$ 78,328
Cash Receipts:													
Net patient service revenue	33,377	24,460	26,809	33,664	29,848	26,302	40,689	30,861	26,214	42,743	25,623	26,553	367,141
NYS Intergovernmental transfer / RAN	40,000	-	-	-	-	-	-	-	8,018	-	-	45,226	93,244
Interim Access Assurance Fund (IAAF)	-	-	-	-	-	-	-	-	-	-	-	-	-
Nassau County Billings	-	6,305	-	-	6,305	-	-	4,203	-	-	4,203	-	21,016
Historical Mission Payments	3,250	-	-	3,250	-	-	3,250	-	-	702	2,549	-	13,001
Federal & State Aid	-	3,699	-	-	3,740	-	-	3,781	-	-	3,780	-	15,000
Practice Plan Revenue	1,212	1,095	1,212	1,173	1,212	1,173	1,212	1,212	1,173	1,212	1,173	1,215	14,274
Miscellaneous	1,329	1,201	1,329	1,286	1,329	1,286	1,329	1,329	1,286	1,329	1,286	1,325	15,644
Investment Income	4	3	4	3	4	3	4	4	3	4	3	3	42
Total cash receipts	79,172	36,763	29,354	39,376	42,438	28,764	46,484	41,390	36,694	45,990	38,617	74,322	539,362
Cash Disbursements:													
Salaries	19,565	17,696	19,065	18,443	19,315	18,443	19,315	19,065	18,693	19,315	19,193	19,319	227,427
Fringe Benefits	7,243	34,616	7,071	7,317	7,603	7,231	7,462	7,308	7,101	7,283	7,188	7,193	114,616
Supplies	2,932	2,648	2,932	2,837	2,932	2,837	2,932	2,932	2,837	2,932	2,837	2,930	34,518
Expenses	6,596	5,958	6,596	6,383	6,596	6,383	6,596	6,596	6,383	6,596	6,383	6,596	77,662
Utilities	1,783	1,610	1,783	1,725	1,783	1,725	1,783	1,783	1,725	1,783	1,725	1,777	20,985
Interest Expense	935	844	935	904	935	904	935	935	904	935	904	931	11,001
Debt Service/RAN	-	-	-	-	-	-	6,580	13,005	-	6,579	-	26,841	53,005
Total Cash disbursements	39,054	63,372	38,382	37,609	39,164	37,523	45,603	51,624	37,643	45,423	38,230	65,587	539,214
Cash flow excess(deficit)from operations	40,118	(26,609)	(9,028)	1,767	3,274	(8,759)	881	(10,234)	(949)	567	387	8,735	148
Capital Expenditures	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	1,333	15,996
Cash flow excess(deficit)after cap exp	38,785	(27,942)	(10,361)	434	1,941	(10,092)	(452)	(11,567)	(2,282)	(766)	(946)	7,402	(15,848)
Ending Cash Balance:	$ 117,113	$ 89,170	$ 78,809	$ 79,243	$ 81,184	$ 71,092	$ 70,640	$ 59,073	$ 56,790	$ 56,024	$ 55,078	$ 62,480	$ 62,480
Restricted Cash	6,700	7,700	5,700	5,700	6,700	4,700	5,700	6,700	4,700	5,700	6,700	4,700	*4,700*
Total Cash	$ 110,413	$ 81,470	$ 73,109	$ 73,543	$ 74,484	$ 66,392	$ 64,940	$ 52,373	$ 52,090	$ 50,324	$ 48,378	$ 57,780	$ 57,780

LTD and FPP Eliminated

Nassau Health Care Corporation and Subsidiaries

Projected Revenue & Expenses

Nassau University Medical Center

Comparative

(In Thousands)

	Audited FYE 12/31/2013	Projected FYE 12/31/2014	Budgeted FYE 12/31/2015
Operating Revenues:			
Net patient service revenue	342,180	343,884	355,422
NYS Intergovernmental transfer	46,594	43,799	45,226
Interim Access Assurance Fund (IAAF)	-	26,075	11,100
Nassau County Billings	19,719	16,908	20,627
Historical Mission Payments	10,192	10,193	10,193
Federal & State Aid	20,344	10,000	15,000
Practice Plan Revenue	11,995	11,669	14,274
Investment Income	(768)	113	30
Services to LIfQHC	-	13,561	14,400
Miscellaneous	15,302	10,025	15,600
Total operating revenue	465,558	486,226	501,872
Operating Expenses:			
Salaries	199,213	188,112	198,707
Fringe Benefits	98,004	102,596	106,970
Supplies	29,501	32,020	30,784
Expenses	78,216	70,675	69,560
Utilities	16,485	17,717	19,316
Depreciation Expense	18,471	18,640	18,739
Interest & Amortization	7,161	9,016	8,592
Services to LIFQHC	-	13,561	14,400
Bad Debt Expense	43,073	37,644	37,751
Total operating expenses	490,124	489,980	504,819
Gain (Loss) From Operations	(24,566)	(3,755)	(2,947)
		-	
Other Operating Items:		-	
Other Post Employment Benefits	(26,550)	(30,040)	(26,904)
Change in Derivative Instruments	15,992	(4,109)	22,581
Grants for Capital Asset Acquisition	13,800	16,855	5,999
Third Party Retro Rate Adjustment	-	-	-
Amortization of Refunding Loss	(1,902)	(1,660)	(1,676)
Total Other Operating Items	1,340	(18,954)	-
Net income (loss)	(23,226)	(22,709)	(2,947)

Nassau Health Care Corporation and Subsidiaries
Budgeted Revenue & Expenses
Nassau University Medical Center
For the twelve months ended 12/31/15
(In Thousands)

	2015 Budgeted												2015	Projected
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	FYE 12/31/2014
Operating Revenues:														
Net patient service revenue	30,187	27,265	30,187	29,213	30,187	29,213	30,187	30,187	29,213	30,187	29,213	30,183	355,422	343,884
NYS Intergovernmental transfer	3,841	3,469	3,841	3,717	3,841	3,717	3,841	3,841	3,717	3,841	3,717	3,843	45,226	43,799
Interim Access Assurance Fund (IAAF)	943	852	943	912	943	912	943	943	912	943	912	942	11,100	26,075
Nassau County Billings	1,752	1,583	1,752	1,696	1,752	1,696	1,752	1,752	1,696	1,752	1,696	1,748	20,627	16,908
Historical Mission Payments	866	782	866	838	866	838	866	866	838	866	838	863	10,193	10,193
Federal & State Aid	1,274	1,151	1,274	1,233	1,274	1,233	1,274	1,274	1,233	1,274	1,233	1,273	15,000	10,000
Practice Plan Revenue	1,212	1,095	1,212	1,173	1,212	1,173	1,212	1,212	1,173	1,212	1,173	1,215	14,274	11,669
Investment Income	3	2	3	2	3	2	3	3	2	3	2	2	30	113
Services to LIfQHC	1,223	1,105	1,223	1,184	1,223	1,184	1,223	1,223	1,184	1,223	1,184	1,221	14,400	13,561
Miscellaneous	1,325	1,197	1,325	1,282	1,325	1,282	1,325	1,325	1,282	1,325	1,282	1,325	15,600	10,025
Total operating revenue	42,626	38,501	42,626	41,250	42,626	41,250	42,626	42,626	41,250	42,626	41,250	42,615	501,872	486,226
Operating Expenses:														
Salaries	17,126	15,493	16,626	16,082	16,876	16,082	16,876	16,626	16,332	16,876	16,832	16,880	198,707	188,112
Fringe Benefits	9,385	8,506	9,116	8,819	9,221	8,733	9,083	8,882	8,656	8,907	8,843	8,819	106,970	102,596
Supplies	2,615	2,362	2,615	2,530	2,615	2,530	2,615	2,615	2,530	2,615	2,530	2,612	30,784	32,020
Expenses	5,908	5,336	5,908	5,717	5,908	5,717	5,908	5,908	5,717	5,908	5,717	5,908	69,560	70,675
Utilities	1,641	1,482	1,641	1,588	1,641	1,588	1,641	1,641	1,588	1,641	1,588	1,636	19,316	17,717
Depreciation Expense	1,592	1,438	1,592	1,540	1,592	1,540	1,592	1,592	1,540	1,592	1,540	1,589	18,739	18,640
Interest & Amortization	730	659	730	706	730	706	730	730	706	730	706	729	8,592	9,016
Services to LIfQHC	1,223	1,105	1,223	1,184	1,223	1,184	1,223	1,223	1,184	1,223	1,184	1,221	14,400	13,561
Bad Debt Expense	3,206	2,896	3,206	3,103	3,206	3,103	3,206	3,206	3,103	3,206	3,103	3,207	37,751	37,644
Total operating expenses	43,426	39,277	42,657	41,269	43,012	41,183	42,874	42,423	41,356	42,698	42,043	42,601	504,819	489,980
Gain (Loss) From Operations	(800)	(776)	(31)	(19)	(386)	67	(248)	203	(106)	(72)	(793)	14	(2,947)	(3,755)
Other Operating Items:														
Other Post Employment Benefits	(2,285)	(2,064)	(2,285)	(2,211)	(2,285)	(2,211)	(2,285)	(2,285)	(2,211)	(2,285)	(2,211)	(2,286)	(26,904)	(30,040)
Change in Derivative Instruments	1,917	1,732	1,917	1,856	1,917	1,856	1,917	1,917	1,856	1,917	1,856	1,923	22,581	(4,109)
Grants for Capital Asset Acquisition	510	460	510	493	510	493	510	510	493	510	493	507	5,999	16,855
Third Party Retro Rate Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Refunding Loss	(142)	(128)	(142)	(138)	(142)	(138)	(142)	(142)	(138)	(142)	(138)	(144)	(1,676)	(1,660)
Total Other Operating Items	-	-	-	-	-	-	-	-	-	-	-	-	-	(18,954)
Net income (loss)	(800)	(776)	(31)	(19)	(386)	67	(248)	203	(106)	(72)	(793)	14	(2,947)	(22,709)

Nassau Health Care Corporation and Subsidiaries

Key Operating Statistics

Nassau University Medical Center

For the twelve months ended 12/31/15

	2013 Actual	2014 Projected	2015 Budgeted JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
DISCHARGES:															
Adult & Peds	17,312	16,833	1,291	1,175	1,331	1,350	1,358	1,297	1,392	1,331	1,294	1,311	1,243	1,320	15,693
Psychiatry	1,833	1,749	141	124	128	161	157	138	143	138	129	137	117	126	1,639
Chemical Dependency Rehab	411	393	137	125	138	136	137	125	145	146	141	144	138	151	1,663
Physical Medicine & Rehab	441	437	34	41	44	39	44	36	39	38	34	37	32	28	446
Newborn	1,168	1,277	109	78	102	94	113	102	117	99	102	114	102	121	1,253
Total	21,165	20,689	1,712	1,543	1,743	1,780	1,809	1,698	1,836	1,752	1,700	1,743	1,632	1,746	20,694
Disch per Day	**57.99**	**56.68**	**55.23**	**55.11**	**56.23**	**59.33**	**58.35**	**56.60**	**59.23**	**56.52**	**56.67**	**56.23**	**54.40**	**56.32**	**56.70**
PATIENT DAYS:															
Adult & Peds	77,445	74,615	5,883	5,145	5,734	5,735	5,934	5,627	5,977	5,717	5,604	5,785	5,549	5,654	68,339
Psychiatry	41,827	40,860	3,237	2,874	3,015	3,414	3,454	3,145	3,272	3,223	3,006	3,226	2,830	2,976	37,672
Chemical Dependency Rehab	9,197	8,847	954	1,044	1,126	1,094	1,104	856	1,068	1,143	988	1,191	1,122	1,115	12,805
Physical Medicine & Rehab	5,197	5,175	488	486	525	504	433	368	414	384	347	438	301	398	5,086
Newborn	3,107	3,339	307	196	237	243	284	261	314	274	234	307	262	311	3,230
Total	136,773	132,836	10,869	9,745	10,637	10,990	11,209	10,257	11,045	10,741	10,179	10,947	10,064	10,454	127,132
AVG LENGTH OF STAY:															
Adult & Peds	4.47	4.43	4.56	4.38	4.31	4.25	4.37	4.34	4.29	4.29	4.33	4.41	4.46	4.28	4.35
Psychiatry	22.82	23.36	22.96	23.18	23.55	21.20	22.00	22.79	22.88	23.36	23.30	23.55	24.19	23.62	22.98
Chemical Dependency Rehab	22.38	22.51	6.96	8.35	8.16	8.04	8.06	6.85	7.37	7.83	7.01	8.27	8.13	7.38	7.70
Physical Medicine & Rehab	11.78	11.84	14.35	11.85	11.93	12.92	9.84	10.22	10.62	10.11	10.21	11.84	9.41	14.21	11.40
Newborn	2.66	2.61	2.82	2.51	2.32	2.59	2.51	2.56	2.68	2.77	2.29	2.69	2.57	2.57	2.58
Total	6.46	6.42	6.35	6.32	6.10	6.17	6.20	6.04	6.02	6.13	5.99	6.28	6.17	5.99	6.14
AVG DAILY CENSUS															
Adult & Peds	212.2	204.4	189.8	183.7	185.0	191.2	191.4	187.6	192.8	184.4	186.8	186.6	185.0	182.4	187.2
Psychiatry	114.6	111.9	104.4	102.6	97.3	113.8	111.4	104.8	105.5	104.0	100.2	104.1	94.3	96.0	103.2
Chemical Dependency Rehab	25.2	24.2	30.8	37.3	36.3	36.5	35.6	28.5	34.5	36.9	32.9	38.4	37.4	36.0	35.1
Physical Medicine & Rehab	14.2	14.2	15.7	17.4	16.9	16.8	14.0	12.3	13.4	12.4	11.6	14.1	10.0	12.8	13.9
Newborn	8.5	9.1	9.9	7.0	7.6	8.1	9.2	8.7	10.1	8.8	7.8	9.9	8.7	10.0	8.8
Total	374.7	363.8	350.6	348.0	343.1	366.4	361.6	341.9	356.3	346.5	339.3	353.1	335.4	337.2	348.2
CASE MIX INDEX (CMI) **															
Medicare	1.38	1.36	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803	1.2803
Medicaid	0.98	1.14	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906	0.9906
Other	0.98	0.91	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269	0.9269
Total	1.02	0.99	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506	0.9506
PERCENT OCCUPANCY:															
Licensed Beds	69.10%	56.23%	53.99%	54.04%	53.16%	56.77%	55.85%	52.80%	54.86%	53.51%	52.53%	54.39%	51.78%	51.85%	53.80%
Available Beds	79.44%	73.76%	70.83%	70.90%	69.74%	74.47%	73.27%	69.27%	71.96%	70.19%	68.92%	71.35%	67.93%	68.02%	70.57%

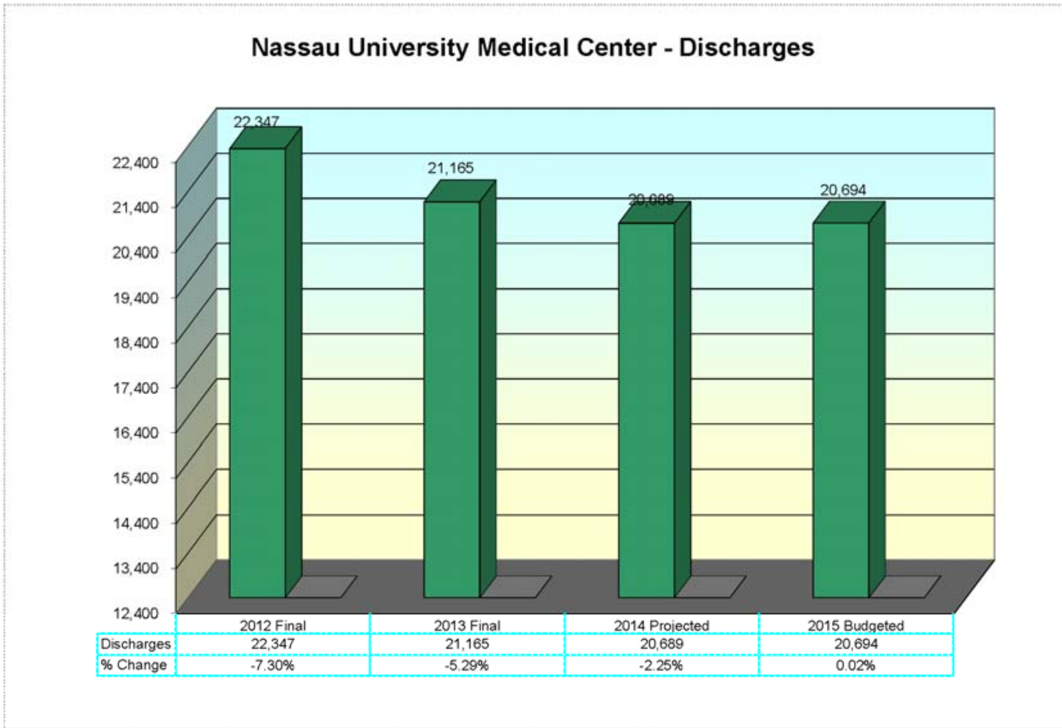
Nassau Health Care Corporation and Subsidiaries

Key Operating Statistics

Nassau University Medical Center

For the twelve months ended 12/31/15

	2013 Actual	2014 Projected	2015 Budgeted JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
AMBULATORY VISITS (Exc. Admits)															
General Clinic	165,088	162,950	13,814	13,098	15,214	15,426	14,779	14,567	14,516	14,395	14,404	16,018	13,005	13,481	172,717
HIV Clinic	3,289	3,140	222	234	249	251	203	241	270	231	230	314	243	209	2,897
Oncology Clinic	5,028	5,269	469	419	455	490	485	449	533	450	498	524	459	487	5,718
CDC Clinic	896	867	52	61	92	93	86	81	70	75	61	100	59	75	905
Hyperbaric Clinic	4,175	3,591	261	215	251	232	256	271	298	316	254	341	239	206	3,140
Mental Health	12,319	12,222	988	853	1,109	1,164	1,136	883	918	1,086	1,086	1,166	916	935	12,240
Emergency Room (Total)	73,701	70,607	6,073	5,022	5,952	5,924	6,065	6,080	6,026	5,975	5,971	5,773	5,459	5,632	69,952
Emergency Room Admits	17,124	16,533	1,345	1,165	1,403	1,439	1,369	1,361	1,432	1,377	1,349	1,331	1,268	1,311	16,150
Ambulatory Surgery	5,280	5,364	461	439	473	545	537	472	522	485	477	577	494	495	5,977
Hemodialysis	21,704	21,384	1,865	1,723	1,885	1,802	1,881	1,714	1,876	1,845	1,847	1,782	1,735	1,838	21,793
Referred Ambulatory	4,041	4,627	381	284	461	471	515	496	585	423	552	533	418	390	5,509
LABOR STATISTICS:															
Full-Time Equivalent (FTE) Total	2,703	2,676	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658	2,658
Labor Cost Per Man Hour	58.93	58.84	66.04	66.19	64.12	64.10	65.01	63.87	64.66	63.54	64.32	64.22	66.09	64.02	64.67
FTE's Per Adjusted Occupied Bed	5.47	5.47	5.61	5.65	5.73	5.37	5.44	5.75	5.52	5.67	5.79	5.57	5.86	5.83	5.64
Payroll as a % of Gross Patient Revenue	84.54%	84.58%	87.82%	88.02%	85.28%	85.24%	86.45%	84.95%	85.99%	84.50%	85.54%	85.41%	87.89%	85.14%	86.00%
% of Salary & Benefits Expense	64.27%	59.33%	65.91%	65.97%	65.25%	65.24%	65.56%	65.17%	65.44%	65.04%	65.32%	65.29%	65.93%	65.24%	60.55%
Overtime as a % of Payroll	2.92%	1.82%	2.26%	2.25%	2.33%	2.33%	2.29%	2.33%	2.31%	2.35%	2.32%	2.32%	2.26%	2.33%	2.31%
CREDIT AND COLLECTION STATISTICS:															
Bad Debts as a % of Patient Revenue	12.41%	10.95%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.62%	10.63%	10.62%



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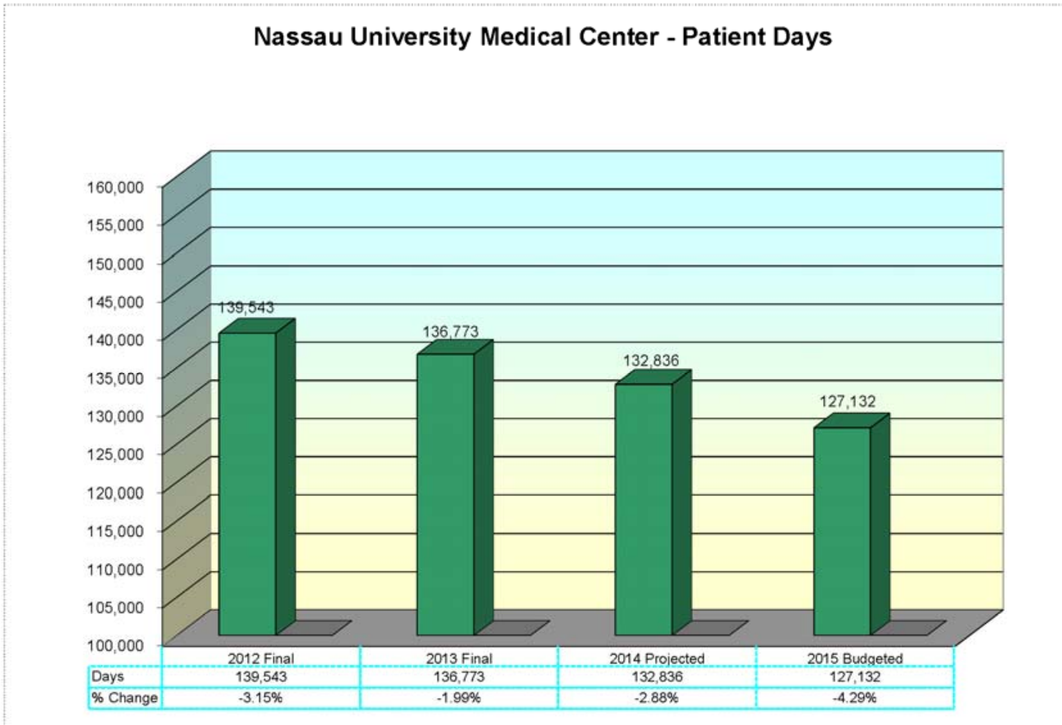
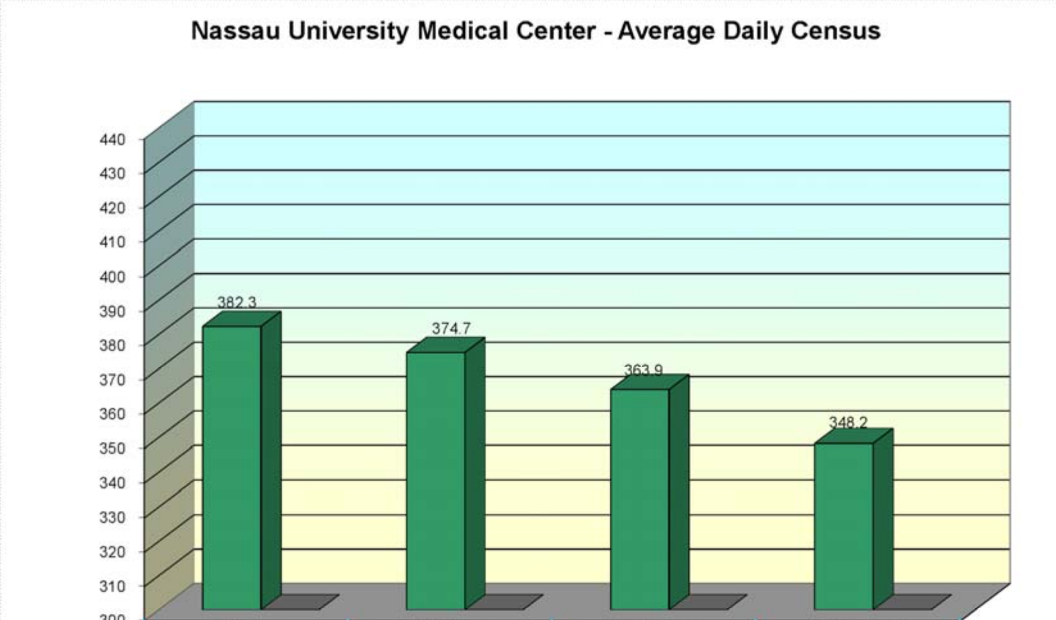

Nassau University Medical Center - Patient Days
160,000
155,000
150,000
145,000
140,000
135,000
130,000
125,000
120,000
115,000
110,000
105,000
100,000
139,543
136,773
132,836
127,132
2012 Final
2013 Final
2014 Projected
2015 Budgeted
Days
139,543
136,773
132,836
127,132
% Change
-3.15%
-1.99%
-2.88%
-4.29%

18



	2012 Final	2013 Final	2014 Projected	2015 Budgeted
ADC	382.3	374.7	363.9	348.2
% Change	-3.14%	-1.99%	-2.88%	-4.31%

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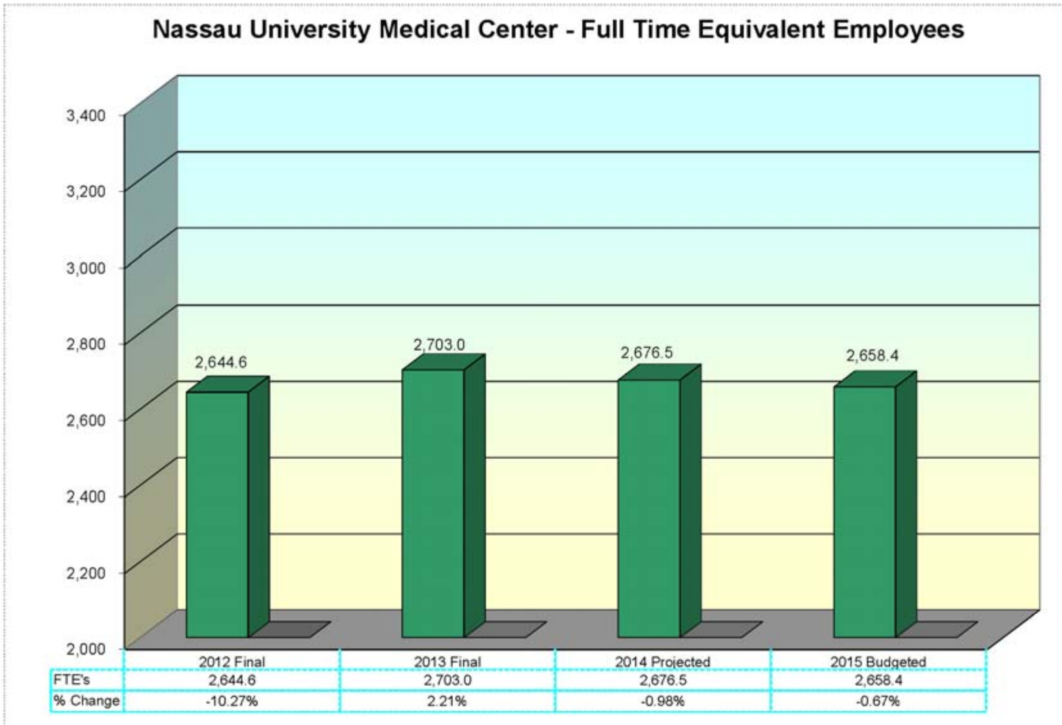

	2012 Final	2013 Final	2014 Projected	2015 Budgeted
FTE's	2,644.6	2,703.0	2,676.5	2,658.4
% Change	-10.27%	2.21%	-0.98%	-0.67%

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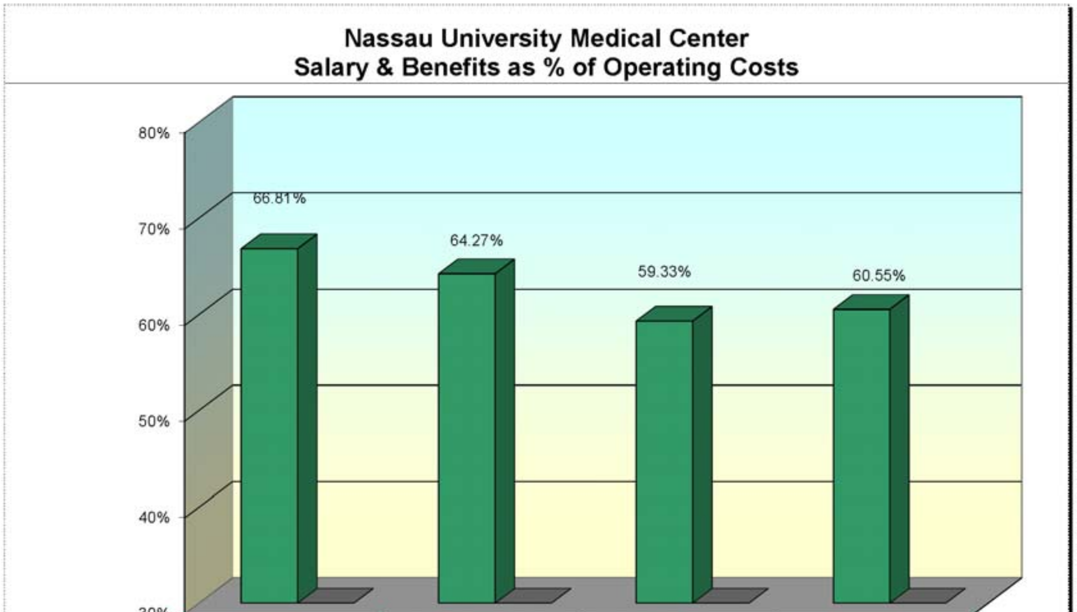

	2012 Final	2013 Final	2014 Projected	2015 Budgeted
Salary & Benefits	66.81%	64.27%	59.33%	60.55%
% Change	-1.93%	-3.80%	-7.68%	2.06%

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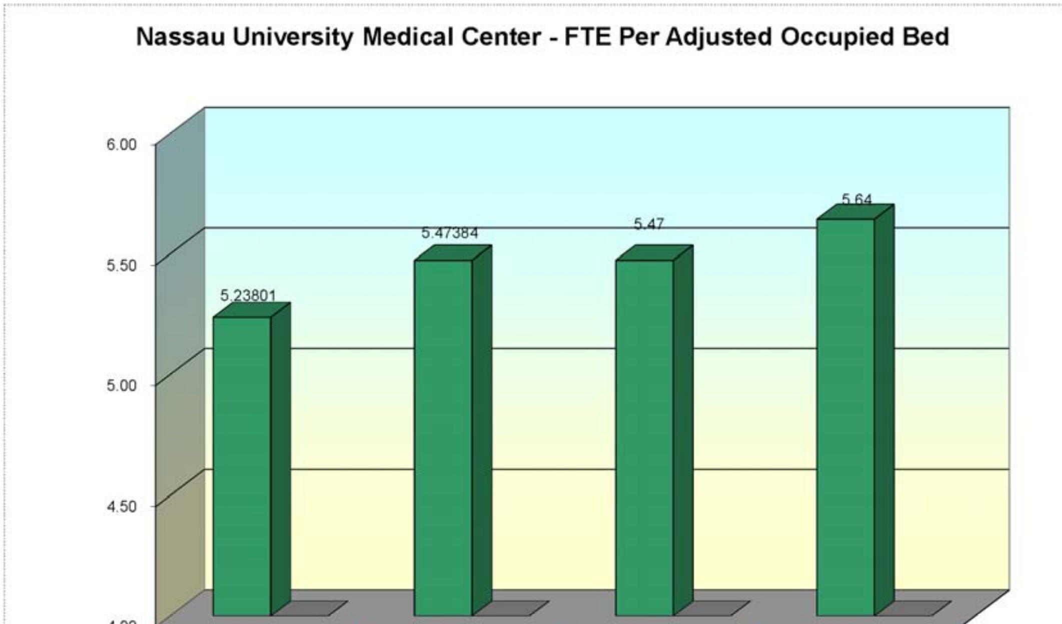
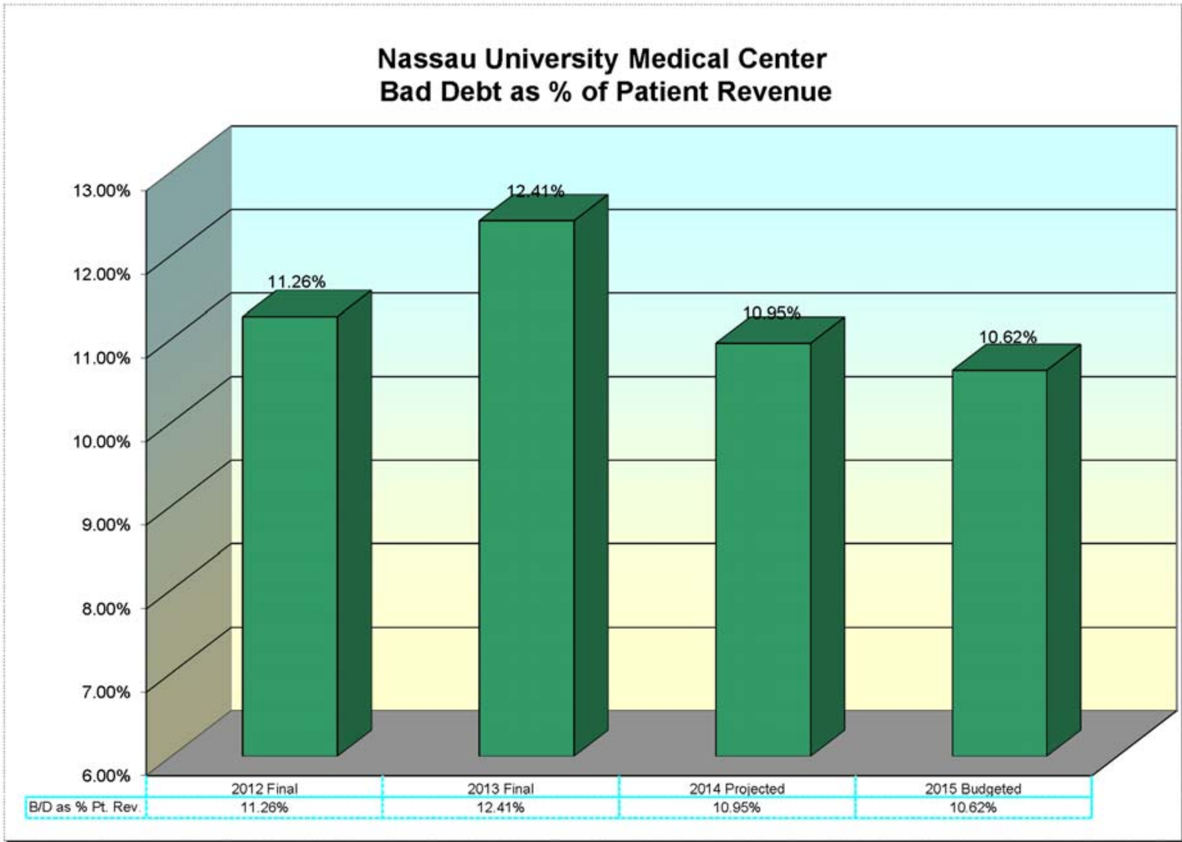
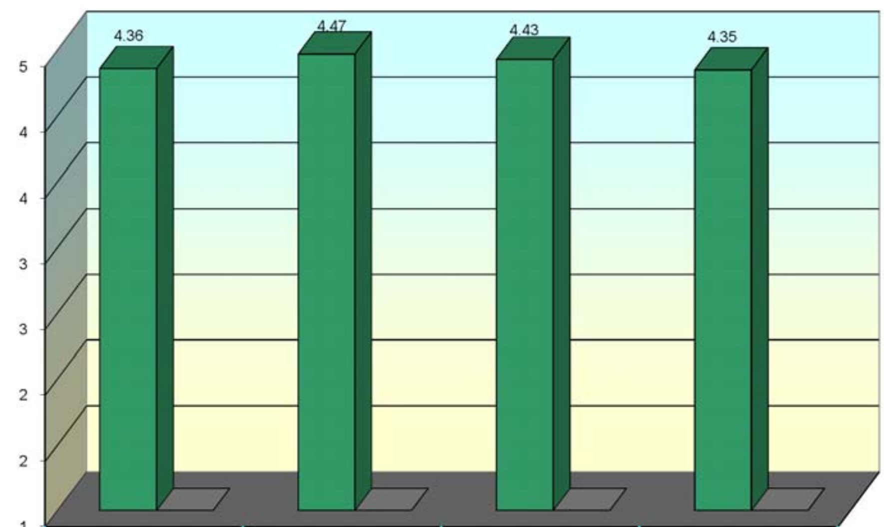


	2012 Final	2013 Final	2014 Projected	2015 Budgeted
FTE/AOB	5.23801	5.47384	5.47	5.64
% Change	-1.69%	4.50%	0.00%	3.10%

22


Nassau University Medical Center
Bad Debt as % of Patient Revenue
13.00%
12.00%
11.00%
10.00%
9.00%
8.00%
7.00%
6.00%
11.26%
12.41%
10.95%
10.62%
2012 Final
2013 Final
2014 Projected
2015 Budgeted
B/D as % Pt. Rev.
11.26%
12.41%
10.95%
10.62%
23

Nassau University Medical Center - Length of Stay (LOS) - Adult & Peds



	2012 Final	2013 Final	2014 Projected	2015 Budgeted
LOS - Adult & Peds	4.36	4.47	4.43	4.35
% Change	5.83%	2.52%	-0.89%	-1.81%

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Nassau Health Care Corporation and Subsidiaries

Projected Revenue & Expenses

A. Holly Patterson Extended Care Facility

Comparative

(In Thousands)

	Audited FYE 12/31/2013	Projected FYE 12/31/2014	Budgeted FYE 12/31/2015
Operating Revenues:			
Net patient service revenue	61,011	60,884	58,627
NYS Intergovernmental transfer	11,839	6,808	8,018
Nassau County Billings	-	-	-
Historical Mission Payments	2,808	2,808	2,808
Federal & State Aid	-	-	-
Practice Plan Revenue	-	-	-
Investment Income	14	13	12
Miscellaneous	561	44	44
Total operating revenue	76,233	70,558	69,509
Operating Expenses:			
Salaries	29,910	28,650	28,720
Fringe Benefits	17,752	18,074	19,115
Supplies	3,754	3,899	3,734
Expenses	8,549	10,277	8,102
Utilities	1,475	1,591	1,669
Depreciation Expense	1,021	894	889
Interest & Amortization	2,927	2,407	2,409
Bad Debt Expense	1,611	2,356	2,371
Total operating expenses	66,999	68,148	67,009
Gain (Loss) From Operations	9,234	2,410	2,500
Other Operating Items:			
Other Post Employment Benefits	(5,687)	(6,463)	(6,000)
Change in Derivative Instruments	2,066	(224)	(684)
Grants for Capital Asset Acquisition	-	-	-
Third Party Retro Rate Adjustment	-	-	-
Amortization of Refunding Loss	(246)	(506)	(500)
Total Other Operating Items	(3,867)	(7,193)	(7,184)
Net income (loss)	5,367	(4,783)	(4,684)

Nassau Health Care Corporation and Subsidiaries

Budgeted Revenue & Expenses

A. Holly Patterson Extended Care Facility

For the twelve months ended 12/31/15

(In Thousands)

	2015 Budgeted												2015	Projected
	JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL	FYE 12/31/2014
Operating Revenues:														
Net patient service revenue	4,979	4,497	4,979	4,819	4,979	4,819	4,979	4,979	4,819	4,979	4,819	4,980	58,627	60,884
NYS Intergovernmental transfer	681	615	681	659	681	659	681	681	659	681	659	681	8,018	6,808
Nassau County Billings	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Historical Mission Payments	238	215	238	231	238	231	238	238	231	238	231	241	2,808	2,808
Federal & State Aid	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Practice Plan Revenue	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment Income	1	1	1	1	1	1	1	1	1	1	1	1	12	13
Miscellaneous	4	4	4	4	4	4	4	4	4	4	4	-	44	44
Total operating revenue	5,903	5,332	5,903	5,714	5,903	5,714	5,903	5,903	5,714	5,903	5,714	5,903	69,509	70,558
Operating Expenses:														
Salaries	2,439	2,203	2,439	2,361	2,439	2,361	2,439	2,439	2,361	2,439	2,361	2,439	28,720	28,650
Fringe Benefits	1,645	1,486	1,645	1,568	1,620	1,568	1,617	1,616	1,563	1,614	1,560	1,613	19,115	18,074
Supplies	317	286	317	307	317	307	317	317	307	317	307	318	3,734	3,899
Expenses	688	622	688	666	688	666	688	688	666	688	666	688	8,102	10,277
Utilities	142	128	142	137	142	137	142	142	137	142	137	141	1,669	1,591
Depreciation Expense	76	68	76	73	76	73	76	76	73	76	73	73	889	894
Interest & Amortization	205	185	205	198	205	198	205	205	198	205	198	202	2,409	2,407
Bad Debt Expense	201	182	201	195	201	195	201	201	195	201	195	203	2,371	2,356
Total operating expenses	5,713	5,160	5,713	5,505	5,688	5,505	5,685	5,684	5,500	5,682	5,497	5,677	67,009	68,148
Gain (Loss) From Operations	190	172	190	209	215	209	218	219	214	221	217	226	2,500	2,410
Other Operating Items:														
Other Post Employment Benefits	(510)	(460)	(510)	(493)	(510)	(493)	(510)	(510)	(493)	(510)	(493)	(508)	(6,000)	(6,463)
Change in Derivative Instruments	(58)	(52)	(58)	(56)	(58)	(56)	(58)	(58)	(56)	(58)	(56)	(60)	(684)	(224)
Grants for Capital Asset Acquisition	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Third Party Retro Rate Adjustment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Refunding Loss	(42)	(38)	(42)	(41)	(42)	(41)	(42)	(42)	(41)	(42)	(41)	(46)	(500)	(506)
Total Other Operating Items	(610)	(550)	(610)	(590)	(610)	(590)	(610)	(610)	(590)	(610)	(590)	(614)	(7,184)	(7,193)
Net income (loss)	(420)	(378)	(420)	(381)	(395)	(381)	(392)	(391)	(376)	(389)	(373)	(388)	(4,684)	(4,783)

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Nassau Health Care Corporation and Subsidiaries

Key Operating Statistics

A. Holly Patterson Extended Care Facility

For the twelve months ended 12/31/15

(In Thousands)

	2013 Actual	2014 Porjected	2015 Budgeted JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC	TOTAL
PATIENT DAYS:															
Geriatrics	194,612	193,220	15,996	14,447	15,996	15,480	15,996	15,480	15,996	15,996	15,480	15,996	15,480	15,998	188,341
HIV	6,235	5,479	620	559	620	600	620	600	620	620	600	620	600	620	7,299
Ventilator	6,652	7,291	489	441	489	473	489	473	489	489	473	489	473	482	5,749
Total	207,499	205,990	17,105	15,447	17,105	16,553	17,105	16,553	17,105	17,105	16,553	17,105	16,553	17,100	201,389
Average Daily Census															
Geriatrics	533.2	529	516.0	516.0	516.0	516.0	516.0	516.0	516.0	516.0	516.0	516.0	516.0	516.1	516.0
HIV	17.1	15	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0	20.0
Ventilator	18.2	20	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.8	15.5	15.8
Total	568.5	564	551.8	551.8	551.8	551.8	551.8	551.8	551.8	551.8	551.8	551.8	551.8	551.6	551.8
PERCENT OCCUPANCY:															
Geriatrics	97.1%	96.4%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%	94.0%
HIV	85.4%	75.1%	100.0%	99.8%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Ventilator	91.1%	99.9%	78.9%	78.8%	78.9%	78.8%	78.9%	78.8%	78.9%	78.9%	78.8%	78.9%	78.8%	77.7%	78.8%
Total	96.5%	95.8%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%	93.7%
LABOR STATISTICS:															
Full-Time Equivalent (FTE) Total	601.1	599.9	614.7	614.4	614.4	614.4	614.4	614.4	614.4	614.4	614.4	614.4	614.4	614.4	614.4
Labor Cost Per Man Hour	42.59	43.68	42.86	42.89	42.88	42.63	42.62	42.63	42.59	42.58	42.58	42.56	42.54	42.55	42.66
FTE's Per Occupied Bed	1.06	1.06	1.11397	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11	1.11
Payroll as a % of Patient Revenue	76.74%	82.78%	82.02%	82.03%	82.02%	81.53%	81.52%	81.53%	81.46%	81.44%	81.43%	81.40%	81.37%	81.37%	81.59%
Overtime as a % of Payroll	3.63%	3.62%	3.20%	3.20%	3.20%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.22%	3.21%
CREDIT AND COLLECTION STATISTICS:															
Bad Debts as a % of Patient Revenue	3.87%	5.59%	4.04%	4.05%	4.04%	4.05%	4.04%	4.05%	4.04%	4.04%	4.05%	4.04%	4.05%	4.08%	4.04%

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