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

NASSAU HEALTH CARE CORPORATION

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

December 31, 2017 and 2016

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

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Nassau Health Care Corporation

We have audited the accompanying financial statements of Nassau Health Care Corporation ("NHCC"), a component unit of the County of Nassau, New York, as of and for the years ended December 31, 2017 and 2016, and the related notes to the financial statements, which collectively comprise NHCC's basic financial statements as listed in the table of contents.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Nassau Health Care Corporation as of December 31, 2017 and 2016, and the changes in financial position and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the required supplementary information on pages 44 and 45 be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. This required supplementary information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America established by the American Institute of Certified Public Accountants. These limited procedures consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise NHCC's basic financial statements. The accompanying combining information included on the supplemental schedules on pages 47 through 52 are presented for purposes of additional analysis and are not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures. These additional procedures included comparing and reconciling the information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Grant Thornton LLP

New York, New York
May 31, 2018

This Management's Discussion and Analysis (MD&A) of Nassau Health Care Corporation (the "Corporation" or "NHCC") provides an introduction to the basic financial statements for the years ended December 31, 2017 and 2016. Management prepared this MD&A, which is intended to look at the Corporation's financial performance as a whole. It should be read in conjunction with the Corporation's financial statements, the notes and the required supplementary information.

Basic Financial Statements

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

The basic financial statements (Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, Statements of Cash Flows, and the Notes to the Financial Statements) present the financial position of NHCC at December 31, 2017 and 2016, and the changes in its financial position for the year then ended. These financial statements report information about NHCC using accounting methods similar to those used by private-sector companies. The Statements of Net Position includes all of NHCC's assets and liabilities. The Statements of Revenues, Expenses, and Changes in Net Position reflect the 2017 and 2016 activities on the accrual basis of accounting, where revenues and expenses are recorded when services are provided or obligations are incurred, not when cash is received or paid. The financial statements also report NHCC's net position (the difference between assets and liabilities) and how that has changed. Net position is one way to measure financial health or condition. The Statements of Cash Flows provide relevant information about the year's cash receipts and cash payments and classify them as operating, noncapital financing, capital and related financing and investing activities. The notes to the financial statements explain information in the financial statements and provide more detailed data.

(In thousands)

Condensed Financial Information - Net Position

	2017	2016	2015	2017-2016 Dollar Change	2017-2016 Percentage Change
Assets					
Current assets	$ 191,844	$ 210,020	$ 160,027	$ (18,176)	(9)%
Capital assets, net	152,738	169,429	181,278	(16,691)	(10)%
Other assets	73,486	74,924	64,327	(1,438)	(2)%
Total assets	$ 418,068	$ 454,373	$ 405,632	$ (36,305)	(8)%
Deferred outflows of resources	$ 75,772	$ 141,044	$ 53,176	$ (65,272)	(46)%
Liabilities					
Current liabilities	$ 208,708	$ 228,374	$ 180,430	$ (19,666)	(9)%
Long-term portion of debt	188,037	202,285	216,235	(14,248)	(7)%
Other long-term liabilities	647,582	672,763	553,935	(25,181)	(4)%
Total liabilities	$ 1,044,327	$ 1,103,422	$ 950,600	$ (59,095)	(5)%
Deferred inflows of resources	$ 11,295	$ 14,869	$ -	$ (3,574)	(24)%
Net position					
Net investment in capital assets	$ 93,747	$ 106,965	$ 115,215	$ (13,218)	(12)%
Restricted	1,433	1,338	1,096	95	7 %
Unrestricted	(656,962)	(631,177)	(608,273)	(25,785)	4 %
Total net position	$ (561,782)	$ (522,874)	$ (491,962)	$ (38,908)	7 %

(In thousands)

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

	2017	2016	2015	2017-2016 Dollar Change	2017-2016 Percentage Change
Operating revenues					
Net patient service revenue	$ 455,290	$ 455,360	$ 430,565	$ (70)	-
Other revenue	130,042	111,507	76,296	18,535	17 %
Total operating revenues	585,332	566,867	506,861	18,465	3 %
Operating expenses					
Salaries	263,197	256,435	250,612	6,762	3 %
Employee benefits	132,950	124,905	119,967	8,045	6 %
Supplies and other expenses	149,288	153,759	149,513	(4,471)	(3)%
Depreciation	19,534	21,155	21,352	(1,621)	(8)%
	564,969	556,254	541,444	8,715	2 %
Income (loss) before OPEB expense, NYS Actuarial Pension Adjustment and Loss on Abandoned Projects	20,363	10,613	(34,583)	9,750	92 %
Employee benefits - OPEB	(31,311)	(32,463)	(34,045)	(1,152)	4 %
NYS Actuarial Pension Adjustment - GASB 68	(8,804)	(9,313)	10,158	(509)	5 %
Loss on abandoned projects	(5,976)	-	-	5,976	100 %
Operating loss	(25,728)	(31,163)	(58,470)	(5,435)	17 %
Nonoperating activities, net	(13,180)	(12,749)	(13,406)	(431)	3 %
Capital contributions	-	13,000	1,081	(13,000)	100 %
Decrease in net position	(38,908)	(30,912)	(70,795)	(7,996)	26 %
Net position					
Beginning of year	(522,874)	(491,962)	(416,213)	(30,912)	6 %
GASB 68 adoption adjustment - January 1, 2015	-	-	(4,954)	-	-
End of year	$ (561,782)	$ (522,874)	$ (491,962)	$ (38,908)	7 %

Financial Analysis of the Corporation (in thousands of dollars)

For the years ended December 31, 2017 and 2016, the Nassau Health Care Corporation (NHCC) generated Income before Other Postemployment Benefits (OPEB), NYS Actuarial Pension Adjustment and Loss on Abandon Projects of $20,363 and $10,613. The excess of revenue over expense is primarily a result of increases in state aid and Delivery System Reform Incentive Payment (DSRIP) revenue. Offsetting these increases in 2017 was a reduction in Intergovernmental Transfer (IGT) revenue, as discussed in the net patient service revenue section below. In 2016 an adjustment was made to professional liabilities which offset the increase in state aid.

Following is an explanation for these items.

State aid revenue in 2017 was $41,604 an increase of $7,361 over 2016 revenue of $34,243. This revenue is primarily derived from two programs - $20,000 from Value Based Payment Quality Improvement Program (VBP-QIP) and $18,500 from Care Restructuring Enhancements Pilots Program (CREP). In 2016, $15,000 of VBP-QIP grant revenue was recognized. NHCC did not participate in the VBP-QIP program during 2015.

During 2017, $40,462 of Delivery System Reform Incentive Payment (DSRIP) funding was recognized as revenue which was $9,736 above the 2016 amount. During 2016 $30,726 of DSRIP revenue was recognized which was $20,727 higher than the prior year. The DSRIP program is a five year New York State program, to address critical issues throughout the state and allow for comprehensive reform, specifically with a goal to achieve a 25 percent reduction in avoidable hospital use over five years. The ultimate amount of DSRIP funding received by NHCC is dependent on certain regulatory approvals as well as the ability of the Nassau Queens Performing Provider System ("NQP") of which NHCC is the lead organization, to meet certain program benchmarks on a quarterly basis over the life of the program.

For 2016, the NHCC actuary recommended that the Corporation increase its estimate for self-insurance liability. NHCC determined that the increase should be $12,618 over the prior year amount. The increase was primarily due to current settlements above historical reserves. Estimates going forward have been adjusted accordingly.

After the inclusion of OPEB expense, NYS Actuarial Pension Adjustment and the Loss on Abandoned Projects, the Corporation's operating loss was $25,728 and $31,163 in 2017 and 2016, respectively. OPEB reflects the future liability for retirees' health insurance and is presented separately from day-to-day operations. The NYS Actuarial Pension Adjustment represents a future liability which includes the difference between pension system actuarial projections and actual results.

Operating Activities

Net Patient Service Revenue

Total net patient service revenue was $455,290 and $455,360 for the years ended December 31, 2017 and 2016, respectively, a decrease of $70 in 2017. IGT revenue in 2017 was 53,634 which was $5,734 below the 2016 amount. Net patient service revenue offset this decrease. The 2016 revenue had non-recurring revenue related to AHP of $18,619 as discussed below. The 2016 revenue increased by $24,795 over the prior year. This 2016 increase primarily related to the Upper Payment Limit (UPL) reimbursements for the A, Holly Patterson Extended Care Facility that resulted in $11,799 of additional revenues and $6,820 relating to the reduction of a liability related to the New York State Universal Settlement with nursing homes.

Other Operating Revenue

Other operating revenue of $130,042 and $111,507 in 2017 and 2016, respectively represent increases of $18,535 and $35,211 from the prior years. These increases reflect the increase in State Aid in 2017 and 2016, and includes DSRIP revenues. In 2017, NUMC entered into a contract to provide health care services at the Nassau County Correctional Facility and $6,201 of revenue is included in other operating revenue amount related to this contract.

Expenses

Total operating expenses before OPEB, NYS Actuarial Pension Adjustment and loss on abandoned projects expenses were $564,969 and $556,254 for the years ended December 31, 2017 and 2016, respectively. Expenses increased from 2016 to 2017 by $8,715 and increased $34,281 in 2016 from the prior year. A description of the component categories follows.

Salaries in 2017 of $263,197 increased $6,762 from the 2016 salary expense of $256,435. In 2016 salary expense increased $5,823, from the prior year. Each yearly increase was the result of an increase in FTEs and contractual salary obligations. In 2017 the increase in FTEs was due, in part, to the new correctional facility operations

Employee benefit costs, before OPEB and NYS Actuarial Pension Adjustment expenses were $132,950 and $124,905 in 2017 and 2016, respectively. Increased salary expense and the increase in health benefit cost drove the increase of $8,045 in 2017, as well as the $4,938 increase in 2016 over the prior year amounts.

Supplies and other expenses were $149,288 and $153,759 in 2017 and 2016, respectively. These expenses decreased by $4,471 in 2017 and increased by $4,246 in 2016 primarily related to adjustments to the professional liability reserves in 2016.

OPEB

The Corporation recorded unfunded other postemployment benefit expense of $31,311 and $32,463 in 2017 and 2016, 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 2017 and 2016, the Corporation purchased $8,141 and $9,490 in capital assets, respectively and incurred $19,534 and $21,155 in depreciation expense. In 2016, the Corporation received $13,000 of grants, which were restricted for the repayment of capital debt.

Debt

During 2017 and 2016, the Corporation made principal and interest payments of $25,859 and $24,418, respectively.

Contacting the Corporation's Financial Management

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

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

	December 31, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 21,101	$ 3,985
Patient accounts receivable, net	37,069	34,875
Inventories	8,132	7,642
Prepaid expenses	1,741	1,736
Other receivables	66,489	107,252
Assets restricted as to use, required for current liabilities	38,550	41,648
Due from Nassau County	18,762	12,882
Total current assets	191,844	210,020
Assets restricted as to use, net	42,386	46,975
Capital assets - net	152,738	169,429
Other assets	31,100	27,949
Total assets	$ 418,068	$ 454,373
DEFERRED OUTFLOWS OF RESOURCES		
Deferred change in fair value of interest rate swaps	$ 3,746	$ 6,269
Deferred charge on refunding	29,282	32,681
Pension related	42,744	102,094
Total deferred outflows of resources	$ 75,772	$ 141,044
LIABILITIES		
CURRENT LIABILITIES		
Current portion of long-term debt	$ 14,851	$ 14,115
Accounts payable and accrued expenses	98,591	83,002
Accrued salaries and related withholdings	16,743	14,658
Current portion of post retirement health insurance liability	10,913	10,083
Current portion of vacation and sick leave	6,791	6,465
Current portion of estimated self-insurance liability	17,165	18,260
Current portion of accrued pension benefits	24,313	27,762
Current portion of estimated liability to third-party payors, net	16,261	7,504
RAN and other current liabilities	2,121	45,555
Accrued interest payable	959	970
Total current liabilities	208,708	228,374
Long-term debt	188,037	202,285
Estimated liability to third-party payors, net	19,736	27,021
Estimated post retirement health insurance liability	400,914	370,433
Estimated self-insurance liability	57,462	61,026
Estimated fair value of interest rate swap agreements	21,081	25,101
Accrued vacation and sick leave	61,115	58,177
Accrued pension benefits	87,274	131,005
Total liabilities	$ 1,044,327	$ 1,103,422
DEFERRED INFLOWS OF RESOURCES		
Pension related	$ 11,295	$ 14,869
Total deferred inflows of resources	$ 11,295	$ 14,869
Commitments and contingencies		
Net position		
Net investment in capital assets	$ 93,747	$ 106,965
Restricted	1,433	1,338
Unrestricted	(656,962)	(631,177)
Total net position	$ (561,782)	$ (522,874)

See accompanying notes to the basic financial statements.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Statements of Revenues, Expenses and Changes in Net Position
(In thousands)

	Years Ended December 31, 2017	Years Ended December 31, 2016
OPERATING REVENUE		
Net patient service revenue (net of the provision for bad debts of $84,096 and $56,028)	$ 455,290	$ 455,360
Other revenue	130,042	111,507
Total operating revenues	585,332	566,867
OPERATING EXPENSES		
Salaries	263,197	256,435
Employee benefits - pension	31,560	32,324
Employee benefits - other	101,390	92,581
Supplies and other expenses	149,288	153,759
Depreciation and amortization	19,534	21,155
	564,969	556,254
Income before OPEB expenses	20,363	10,613
Employee benefits - OPEB expenses	(31,311)	(32,463)
NYS Actuarial Pension Adjustment - GASB 68	(8,804)	(9,313)
Loss on abandoned projects	(5,976)	-
Operating loss	(25,728)	(31,163)
NONOPERATING ACTIVITIES		
Interest income	392	162
Interest expense	(13,572)	(12,911)
Total nonoperating activities, net	(13,180)	(12,749)
Capital contributions	-	13,000
Decrease in net position	(38,908)	(30,912)
Beginning of year	(522,874)	(491,962)
End of year	$ (561,782)	$ (522,874)

See accompanying notes to the basic financial statements.

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

	Years Ended December 31, 2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from patients, third-party payers and other related payments	$ 512,259	$ 458,154
Cash received from other operating revenue	109,965	44,816
Cash paid to employees	(391,004)	(372,795)
Cash paid to suppliers	(144,737)	(118,883)
Net cash from operating activities	86,483	11,292
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Cash paid for interest	(7,720)	(7,176)
Payment of debt	(14,186)	(13,545)
Proceeds from revenue anticipation notes and other	(3,445)	40,000
Repayment of revenue anticipation notes and other	(82,150)	(40,000)
Revenue anticipation notes and other current liabilities	42,150	(1,935)
Net cash used in noncapital and related financing activities	(65,351)	(22,656)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchases of capital assets	(8,141)	(9,490)
Cash paid for interest, net of amounts capitalized	(3,954)	(3,697)
Grants for capital asset acquisitions	-	13,000
Net cash used in capital and related financing activities	(12,095)	(187)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net change in restricted cash and cash equivalents	7,687	(16,342)
Cash received from interest	392	162
Net cash provided by (used) investing activities	8,079	(16,180)
Net increase (decrease) in cash and cash equivalents	17,116	(27,731)
Cash and cash equivalents, beginning of year	3,985	31,716
Cash and cash equivalents, end of year	$ 21,101	$ 3,985
RECONCILIATION OF OPERATING LOSS TO NET CASH FROM OPERATING ACTIVITIES:		
Operating loss	$ (25,728)	$ (31,163)
Depreciation and amortization	19,534	21,155
Loss on abandoned project	5,976	
Changes in operating assets and liabilities		
Patient accounts receivable	(2,194)	8,241
Prepaid expenses and inventories	(495)	(646)
Other receivables and assets	37,612	(66,691)
Due from Nassau County	(5,880)	(20,882)
Accounts payable and accrued expenses	15,589	41,528
Accrued salaries, withholding, pensions, vacation, sick pay and other	13,945	17,684
Due to/from third-party payers, net	1,472	(3,190)
Professional and other insurance liabilities	(4,659)	12,618
Postemployment health insurance liability	31,311	32,638
Net cash from operating activities	$ 86,483	$ 11,292

See accompanying notes to the basic financial statements.

1. ORGANIZATION

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

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

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

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

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

- Long Island Medical Foundation, Inc. (d/b/a NuHealth Foundation) ("LIMF"): LIMF was incorporated on May 3, 2002 and obtained federal tax-exempt status in October 2003 as a 501(c)(3) support organization. LIMF was specifically established to be the fundraising arm of NHCC. It was established as a membership corporation and NHCC is its sole member. LIMF currently has one employee. The individuals currently dedicated to LIMF are employed through NHCF.

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

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

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

LIFQHC is an independent not-for-profit corporation formed on May 14, 2009 and established by NYSDOH on June 15, 2010, as a co-operator of the four treatment centers and a school-based clinic, previously operated solely by NHCC. LIFQHC is not considered a component unit of NHCC and accordingly, is not included in the accompanying financial statements.

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

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

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 permits capital funding to be issued until 2029.

At December 31, 2017 and 2016, the Corporation had a deficit in its total net position of $561,782 and $522,874, respectively, and a decrease in net position during 2017 and 2016 of $38,908 and $30,912, respectively. The decrease in net position in 2017 was due primarily to the loss from operations, which includes other postemployment benefits (“OPEB”) than pension liability obligation (see Note 9), The NYS actuarial pension adjustment (“GASB 68”) and the loss on abandonment of projects, as well as non-operating activities. The Corporation is continuously striving to improve its net position by achieving profitability from income before OPEB and GASB 68 expense, by continuing to progress with collecting on patient accounts, and through cash flows provided by government subsidies for the funding of capital projects and by participating in the Delivery System Reform Incentive Program and the VPB-QIP Program (see Notes 2 and 6). The Corporation has undertaken a number of initiatives including renegotiation of commercial managed care contracts, changes to medical management practices, improved supply chain, inventory management, rightsizing of personnel and further cost reductions. In addition to the Corporation’s initiatives, the County is the direct-pay guarantor of the Corporation’s bonds, as well as guarantor to its swap counterparties.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

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

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

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

Net Position

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

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

Use of Estimates

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

During 2017, net patient service revenue was reduced by approximately $5.2 million due to final settlements and changes in estimates related to prior year cost reports.

Cash and Cash Equivalents

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

Net Patient Service Revenue and Accounts Receivable for Services to Patients

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

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

Medicare Reimbursement

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

Non-Medicare Reimbursement

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

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 2012. Other years remain open for audit and settlement as are numerous issues related to the New York State Medicaid program for prior years. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount when open years are settled and additional information is obtained. The current Medicaid, Medicare and other third-party payer programs are based upon extremely complex laws and regulations that are subject to interpretation. Non-compliance with such laws and regulations could result in fines, penalties and exclusion from such programs. The Corporation is not aware of any allegations of non-compliance that could have a material adverse effect on the accompanying financial statements and believes that it is in compliance with all applicable laws and regulations.

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

On March 30, 2010, the Corporation was notified that the NYSDOH was issuing rate revisions dating back to 1996 for rate issues associated with the A. Holly Patterson skilled nursing facility. The amount of the retroactive recovery was approximately $15,600 and was recorded as a liability in 2009. The Corporation filed a legal affidavit on May 12, 2010 protesting the recovery for the periods 1996 through 2002. The New York State Universal Settlement with nursing homes resulted in settlement of this case, as well as all other pending reimbursement appeals by A. Holly Patterson, in exchange for an allocation of Universal Settlement proceeds to A. Holly Patterson in the total amount of $13,895, of which $11,500 was allocated to this case. Under the terms of the universal settlement, payments will be made in installments over five years. As a result of this settlement, the Corporation increased net patient service revenues by $6,820 during 2016.

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 $64,364 and $54,087 for the years ended December 31, 2017 and 2016, respectively. The estimated cost of charity care, estimated using a ratio of cost to gross charges, totaled $25,102 and $21,094 for the years ended December 31, 2017 and 2016, respectively.

Intergovernmental Transfers

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

The disproportionate share calculation ("DSH") is funded through IGT. The amount is based on a formula that calculates losses on Medicaid and the uninsured from the Corporation's cost report each year, referred to as the disproportionate share calculation. The federal government funds a portion of the IGT amount with the remainder funded locally. The IGT amount recognized in net patient service revenue in 2017 and 2016, was approximately $53,634 and $59,368, respectively.

The Corporation received IGT payments of approximately $111,322 and $44,080 in 2017 and 2016, respectively, and has recorded an IGT receivable of approximately $2,994 and $60,682 within other receivables as of December 31, 2017 and December 31, 2016, respectively. 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. The IGT receivables have been fully collected.

In May 2018, NHCC received notice from the NYSDOH that additional DSH payments have been authorized for NUMC for the current and certain prior years. The total authorized under this notice was $107,537. However, the payments are subject to several requirements, including an IGT payment for the Local Share by May 30, 2018, in the amount of $53,769. In addition, the final amounts of the payments are subject to reconciliations to certain actual losses when such data becomes available. The payments are also subject to audit by the Centers for Medicare and Medicaid Services which could result in the recoupment of the payments. Accordingly, due to the uncertainties involved relating to the ultimate final payments, no amounts have been recognized in the accompanying financial statements.

Delivery System Reform Incentive Program and VBP QIP Program

The Corporation is leading one of the twenty-five Performing Provider Systems (“PPS”) in New York State that are implementing the Delivery System Reform Incentive Program (“DSRIP”). This PPS, known as the Nassau Queens Performing Provider System, LLC (“NQP”), was established and is owned by the Corporation and two other New York health systems. NQP is expected to receive up to $536 million over the five year life of the DSRIP Program, which commenced April 1, 2015, subject to the satisfaction of program milestones that are measured at various stages of the DSRIP Program. In 2017 and 2016, the Corporation recognized $40,462 and $30,726 respectively, which is included in Other Revenue in the accompanying statements of revenues, expenses and changes in net position. At December 31, 2017 and 2016, $25,953 and $17,974, respectively, related to DSRIP was accrued in other current receivables, all of which was collected in the subsequent year. The DSRIP Program goals include more efficient and effective delivery of care to Medicaid recipients and the reduction of unnecessary emergency room visits, hospitalizations and readmissions.

In connection with the state of New York Value Based Payment “VBP” and Quality Incentive Payment “QIP” Program, the Corporation was awarded a net amount of $20 million each year for its participation in the program, applicable to the award year April 1, 2017 through March 31, 2018 and April 1, 2016 through March 31, 2017, respectively. Accordingly, the Corporation recognized in Other Revenue and Other Current Receivables $20 million related to this program in 2017, and $15 million in 2016. The VBP QIP program assists New York hospitals in financial distress and enables these facilities to maintain operations and vital services while they work toward longer-term sustainability, improved quality, and alignment with the state’s VBP and QIP initiatives.

Concentration of Credit Risk

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

(In thousands)

The significant concentrations of accounts receivable for services to patients at December 31, 2017 and 2016 are as follow:

	2017	2016
Medicare	17 %	13 %
Medicaid	28 %	20 %
Commercial	16 %	19 %
Commercial HMO	16 %	20 %
Medicare HMO	5 %	7 %
Medicaid HMO	8 %	10 %
Self-pay and other	10 %	11 %
	100 %	100 %

The components of net patient service revenue consist of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Services provided to patients (net of contractual allowances of approximately $913,368 and $751,352), respectively	$ 485,752	$ 452,020
Intergovernmental transfer - federal	53,634	59,368
Provision for bad debts	(84,096)	(56,028)
	$ 455,290	$ 455,360

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 years ended December 31, 2017 and 2016, revenue from the Medicaid and Medicare programs accounted for approximately 75% and 76%, respectively, of net revenue for services provided to patients.

Assets Restricted as to Use

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

Inventories

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

Capital Assets

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

Deferred Outflows and Inflows of Resources

Deferred outflows of resources represent the consumption of net position that applies to a future period(s) and, as such, will not be recognized as an outflow of resources (expense) until then. Deferred inflows of resources represent an acquisition of a net position that applies to future periods and will not be recognized as an inflow of resources until that time. The Corporation's items that qualify for reporting in this category include: the deferred change in fair value of the interest rate swaps resulting from the accumulated changes in the fair value of a derivative instrument (i.e., interest rate swap) that qualifies for hedge accounting as the derivative instrument is determined to be effective, and the amounts recorded in connection with GASB Statement No. 68, Accounting and Financial reporting for Pensions - an amendment of GASB Statement No. 27. Under hedge accounting, the change in the fair value of a hedging derivative instrument is reported as a deferred inflow or deferred outflow of resources. The deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Accrued Vacation and Sick Pay

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

Professional and Other Insurance Liabilities

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

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

Interest Rate Swap Agreements

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

Equity Interest in Joint Venture

The Corporation has an ongoing 6% equity interest in HealthFirst, LLC ("LLC"), a not-for-profit managed care organization sponsored by New York State hospitals. At December 31, 2017 and 2016, the Corporation's equity interest in the LLC is $16,450 and $16,164, respectively, and is recorded in other assets in the statement of net position. In 2017 and 2016, the Corporation received distributions of $419 and $1,797, respectively, and recorded an increase in its equity interest in the LLC of approximately $286 and $1,176 in other revenues in the statement of revenues, expenses and changes in net position, for the years ended December 31, 2017 and 2016, respectively. The LLC is a non-governmental organization and its separate financial statements are not publically available.

In addition, $9,690 and $8,696 at December 31, 2017 and 2017, respectively is included in other assets related to retained payments due from the LLC.

Income Taxes

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

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

Reclassifications

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

Adopted and Recent Accounting Pronouncements

Effective January 1, 2016, NHCC adopted GASB Statement No. 72, *Fair Value Measurement and Application* ("GASB 72"). GASB 72 enhances the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. The adoption of GASB 72 increased the level of disclosure related to NHCC's assets restricted as to use.

Effective January 1, 2016, NHCC adopted GASB issued Statement No. 80, *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* ("GASB 80"). GASB 80 amended the blending requirements for the financial statement presentation of component units. GASB 80 added the criterion requiring the blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The adoption of GASB 80 had no impact on the financial position or disclosures of NHCC.

Effective January 1, 2017, NHCC adopted GASB Statement No. 82 - *Pension Issues - an amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The required supplementary information reflects the new presentation requirements. The other requirements of GASB 82 had no impact on the financial position or disclosures of NHCC.

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

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

In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of GASB 85 are effective for reporting periods beginning after June 15, 2017. NHCC has not evaluated the effect of GASB 85 on its financial statements.

(In thousands)

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

3. ASSETS RESTRICTED TO USE

Assets restricted to use at December 31, 2017 and 2016, consist of the following:

	2017	2016
Cash and cash equivalents	$ 72,383	$ 82,730
Certificates of deposit	4,490	2,351
Mutual funds - U.S. securities	889	1,547
U.S. Treasury bills	3,174	1,995
Total	$ 80,936	$ 88,623

Investment income on cash and cash equivalents and restricted cash and cash equivalents consists of interest income of $392 and $162 for the years ended December 31, 2017 and 2016, respectively, and is included in nonoperating activities.

NHCC categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in advance markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. At December 31, 2017 and 2016, NHCC's financial instruments measured at fair value were categorized between Levels 1, 2 and 3 as follows:

(In thousands)

2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 72,383	$ -	$ -	$ 72,383
Certificates of Deposit	-	4,490	-	4,490
Mutual Funds - U.S. Securities	-	889	-	889
U.S. Treasury bills	-	3,174	-	3,174
	$ 72,383	$ 8,553	$ -	$ 80,936

2016	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Cash and cash equivalents	$ 82,730	$ -	$ -	$ 82,730
Certificates of Deposit	-	2,351	-	2,351
Mutual Funds - U.S. Securities	-	1,547	-	1,547
U.S. Treasury bills	-	1,995	-	1,995
	$ 82,730	$ 5,893	$ -	$ 88,623

(In thousands)

4. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2017 and 2016 is as follows:

	2017			
	Beginning Balance	Additions	Transfers/ Disposals	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,498	$ -	$ -	$ 12,498
Construction in process	25,847	5,492	(18,006)	13,333
Capital assets, being depreciated:				
Building and improvements	238,421	12,030	-	250,451
Fixed equipment	111,067	153	-	111,220
Land improvements	17,130	-	-	17,130
Moveable equipment	194,820	3,171	(349)	197,642
Total capital assets being depreciated	599,783	20,846	(18,355)	602,274
Less accumulated depreciation for:				
Building and improvements	(149,349)	(7,754)	-	(157,103)
Fixed equipment	(106,160)	(713)	-	(106,873)
Land improvements	(13,245)	(293)	-	(13,538)
Moveable equipment	(161,600)	(10,774)	352	(172,022)
Total accumulated depreciation	(430,354)	(19,534)	352	(449,536)
Carrying value of all capital assets, net	$ 169,429	$ 1,312	$ (18,003)	$ 152,738

	2016			
	Beginning Balance	Additions	Transfers	Ending Balance
Capital assets, not being depreciated:				
Land	$ 12,498	$ -	$ -	$ 12,498
Construction in process	22,795	6,307	(3,255)	25,847
Capital assets, being depreciated:				
Building and improvements	238,387	34	-	238,421
Fixed equipment	110,998	69	-	111,067
Land improvements	17,130	-	-	17,130
Moveable equipment	188,485	3,080	3,255	194,820
Total capital assets being depreciated	590,293	9,490	-	599,783
Less accumulated depreciation for:				
Building and improvements	(141,452)	(7,897)	-	(149,349)
Fixed equipment	(105,427)	(733)	-	(106,160)
Land improvements	(12,897)	(348)	-	(13,245)
Moveable equipment	(149,423)	(12,177)	-	(161,600)
Total accumulated depreciation	(409,199)	(21,155)	-	(430,354)
Carrying value of all capital assets, net	$ 181,094	$ (11,665)	$ -	$ 169,429

(In thousands)

Net interest capitalized for the years ended December 31, 2017 and 2016 was approximately $985 and $1,014, respectively.

5. LONG-TERM DEBT

Long-term debt at December 31, 2017 and 2016 consists of the following:

	2017	2016
2009 Series A (taxable) Bonds payable at varying dates through August 1, 2022; variable rate demand bonds bearing interest at taxable variable rates with an effective average of approximately 1.06% and 0.53% at December 31, 2017 and 2016	$ 15,195	$ 17,660
2009 Series B, C and D Bonds payable at varying dates through August 1, 2029; variable rate demand bonds bearing interest at tax-exempt variable rates with an effective average of approximately 0.84% and 0.41% at December 31, 2017 and 2016	187,090	198,740
Other Liabilities	603	-
	202,888	216,400
Current portion	14,851	14,115
Long-term portion	$ 188,037	$ 202,285

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

(In thousands)

Significant terms of the LOCs and reimbursement agreements are below.

Provider	Expiration Date	Principal Amount Covered Under Facility	Base Interest Rate	Interest Rate on LOC Draws	Maximum Loan Period (Years)	Loan Interest Rate	Annual Fee
Wells Fargo - Series C	7/6/2018	$ 61,860	Greater of Providers bank prime rate plus 2% or Federal Funds rate plus 3% or 8%	Days 1-30 = Base Rate Days 31-180 = Base Rate plus 1%	3.5	Base Rate plus 2%	90 basis points
TD Bank - Series B	6/30/2018	$ 71,105	Greater of WSJ Prime Rate of Federal Funds Rate plus 2%	Days 1-45 = Base Rate Days 46-90 = Base Rate plus 1% Days 91-135 = Base Rate plus 1.25% Days 136-180 = Base Rate plus 1.5% However, rate may never be below 6%	5.5	Greater of base rate plus 2% or 6%	70 basis points
JP Morgan - Series D	5/15/2019	$ 54,125	Greater of Prime Rate or 1-month LIBOR plus 2.5% or 7.5%	Days 1-60 = Base Rate plus 1% Days 61 - thereafter = Base Rate plus 2%	4	Same terms as interest rate on LOC draws	95 basis points
JP Morgan - Series A	5/15/2019	$ 15,195	Greater of Prime Rate plus 2% or Federal Funds Rate plus 3% or 7.5%	Days 1-60 = Base Rate plus 1% Days 61 - thereafter = Base Rate plus 2%	3.25	Same terms as interest rate on LOC draws	95 basis points

If the reimbursement agreements were to be exercised because the entire series of demand bonds were "put" on September 1, 2018 and not remarketed before 180 days with respect to the Series B & C bonds, or 13 months with respect to the Series A & D bonds, the Corporation would be required to pay the following estimated annual amounts (principal and interest) using the LOC banks' interest rates and terms in effect on December 31, 2017:

	Wells Fargo Series 2009 C	TD Bank Series 2009 B	J.P. Morgan Series 2009 A & D	Total
2018	$ 1,252	$ 998	$ 1,356	$ 3,606
2019	20,305	16,736	10,359	47,400
2020	20,220	15,985	25,761	61,966
2021	18,569	15,129	23,799	57,497
2022	8,666	14,274	16,561	39,501
2023	-	13,419	-	13,419
2024	-	3,221	-	3,221
	$ 69,012	$ 79,762	$ 77,836	$ 226,610

(In thousands)

The Corporation is required to pay to the providers an annual commitment fee for the letter of credit as stated above per annum on the outstanding facility amount. Total letter of credit fees paid in 2017 and 2016 approximated $1,969 and $2,116, respectively.

The County guarantees to the Trustee and the owners of Series 2009 Bonds the full and prompt payment of the principal and interest of the Series 2009 Bonds for the entire term of these bond series. The County has not been called upon to make any payments under the guaranty. The Guaranty cannot be amended without the consent of the trustee (on behalf of the holders of the Bonds) and the letter of credit providers.

In connection with the issuance of the 2009 Bonds, the Corporation incurred a loss of approximately $31,500. The loss on refunding (the difference between the reacquisition price and the net carrying amount of the old debt) is classified as a deferred outflow of resources in the accompanying statement of net position. Amortization of the deferred loss is $1,903 and $2,021 for the years ended December 31, 2017 and 2016, respectively.

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

Principal payments on long-term debt are due annually on August 1. Interest payments are due monthly, on the first business day of each month. Estimated future interest payments are calculated using the assumed synthetic fixed rate of interest of 3.457% for series 2009B, C and D contemplated as part of the current interest rate swap agreements, and the initial assumed synthetic fixed rate of interest of 4.61% for series 2009A under its prior swap agreement. Payments applicable to long-term debt for years subsequent to December 31, 2017 are as follows:

	Principal	Estimated Interest
2018	$ 14,695	$ 7,168
2019	15,290	6,630
2020	15,910	6,069
2021	16,565	5,484
2022 to 2025	67,515	15,844
2026 to 2029	72,310	6,325
	$ 202,285	$ 47,520

In January 2017, the Corporation issued $42,000 of taxable 2017 Revenue Anticipation Notes ("2017 RANs") that were due in January 2018 and secured by scheduled IGT payments and other New York State payments. The 2017 RANs were repaid during 2017.

Interest Rate Swap Agreements

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

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

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

GASB 72, addresses the accounting and financial reporting issues related to fair value measurements. GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between swap counterparties at the measurement date, which includes the nonperformance risk (the mark-to-market value excludes the risk of nonperformance). As noted above, the Corporation adopted GASB 72 beginning fiscal year ended 2016.

In April of 2009, the Corporation undertook a current refunding of the 2004 Series C bonds. As part of the refunding, the three interest rate swap agreements ("Swaps") were re-assigned to the new underlying 2009

Series B, C and D bonds with essentially identical terms except for a change in the interest rate mode from auction rate to weekly variable rate demand bonds. The three Swaps associated with the 2004 Series C bonds were determined to be an effective hedging relationship and, as such, the changes in the fair value of the swap through the refunding date totaling $30,000 were included in the deferred loss on refunding calculation and amortized over the life of the new bonds. The new association of the three Swaps and the 2009 Series B, C and D bonds are considered an effective hedging relationship at December 31, 2017 and 2016, respectively.

All settlement payments or receipts for hedging derivative instruments are recorded as a component of interest expense in the period settled and amounted to approximately $5,050 and $6,100 for the years ended December 31, 2017 and 2016, respectively.

The Corporation's hedging derivative instruments at December 31, 2017 and 2016 are as follows:

Swap ID	Fair Value December 31, 2017	Net Change in Fair Value	Fair Value December 31, 2016	Type of Hedge	Financial Statement Classification for Changes in Fair Value
1	$ (7,035)	$ 1,344	$ (8,379)	Cash Flow	Deferred outflow
2	(7,023)	1,338	(8,361)	Cash Flow	Deferred outflow
3	(7,023)	1,338	(8,361)	Cash Flow	Deferred outflow
	$ (21,081)	$ 4,020	$ (25,101)		

The terms of the Corporation's financial derivative instruments that were outstanding at December 31, 2017 and 2016 are summarized in the table below:

2017

Counterparty	Effective Date	Termination Date	NHCC Pays	NHCC Receives	Outstanding Swap Notional (000s)
JPMorgan Chase	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 62,977
Merrill Lynch	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 62,812
UBS AG	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 62,812

2016

Counterparty	Effective Date	Termination Date	NHCC Pays	NHCC Receives	Outstanding Swap Notional (000s)
JPMorgan Chase	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 66,593
Merrill Lynch	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 66,408
UBS AG	October 14, 2004	August 1, 2029	3.4570%	62.6% of 1-Month LIBOR + .23%	$ 66,408

The amount of outstanding debt covered by the three interest rate swap agreements totals $187,090 and $198,740 as of December 31, 2017 and 2016, respectively and matures on August 1, 2029.

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

Credit Risk - This is the risk that a counterparty will not fulfill its obligations. As of December 31, 2017 and 2016, the Corporation has zero credit risk, because the mark-to-market of the swaps are all negative. Since changes in interest rates affect the fair value of the swap agreement, it is possible that the swap agreement with a negative fair value becomes positive which would expose the Corporation to credit risk. Should the fair value of the swap become positive, to minimize its exposure to loss related to credit risk, the Corporation has collateral posting provisions included in the Credit Support Annex to the International Swap Dealers Association Agreements. The terms require that the Counterparties post collateral for an amount by which the swap fair value exceeds collateral credit threshold levels which range from $50 million (A1 Moody's and A+ S& P) to $0 (Baa1 Moody's BBB+ S & P or lower).

The unsecured long term debt credit ratings for the Counterparties at December 31, 2017 and 2016 were as follows.

2017

Counterparty	Moody's	Standard and Poors	Fitch
JPMorgan Chase	Aa3	A+	AA-
Merrill Lynch (Bank of America)	A3	A-	A
UBS AG	A1	A+	AA-

2016

Counterparty	Moody's	Standard and Poors	Fitch
JPMorgan Chase	Aa3	A+	AA-
Merrill Lynch (Bank of America)	Baa1	BBB+	A
UBS AG	A1	A	A

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

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

(In thousands)

6. TRANSACTIONS WITH THE COUNTY OF NASSAU

The following amounts are included in the accompanying statements of revenues, expenses and changes in net position, and represent transactions that occurred between the County and the Corporation during the years ended December 31, 2017 and 2016, respectively:

	2017	2016
Revenue earned from the County:		
Patient care	$ 4,553	$ 2,300
Space charges	1,548	1,528
Non-patient care	11,358	4,759
Health insurance for retiree charges	12,147	12,048
	29,606	20,635
County pass-through transactions:		
Amounts paid on behalf of the County	1,082	1,041
State aid and other amounts collected by the County	1,447	990
Total transactions with the County	$ 32,135	$ 22,666

Non-patient care charges include nursing salaries and fringe benefits to provide medical assessment and case management services for Nassau County residents receiving benefits through the Department of Social Services. For 2017, it also includes approximately $6.2 million in charges for administrative and operating costs to manage on-site medical services for inmates at the Nassau County Correctional Center, pursuant to a contract between NHCC and Nassau County effective September 1, 2017. Payments from the County for patient care and historic mission are recorded as net patient service revenue in the accompanying financial statements. Payments from the County for space charges, health insurance for retirees and non-patient care are recorded as other operating revenue.

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

7. RETIREMENT PLANS

Defined Benefit Plans

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

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

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

ERS offers a wide range of programs and benefits. ERS benefits vary based on the date of membership, years of credited service and final average salary, vesting of retirement benefits, death and disability benefits, and optional methods of benefit payments. The plan provides a permanent annual cost-of-living increase to both current and future retired members meeting certain eligibility requirements. Participating employers are required under law to contribute to ERS on an actuarially determined rate which is determined annually by the State Comptroller and the average contribution rate for the fiscal year ended March 31, 2017 and 2016 was approximately 15.0% and 18.2% of payroll, respectively. ERS provides retirement benefits as well as death and disability benefits. For those members joining prior to January 1, 2010 benefits generally vest after five years of credited service. For those joining after January 1, 2010, benefits generally vest after 10 years of credited service. The RSSL provides that all participants in ERS are jointly and severally liable for any actuarial unfunded amounts. Such amounts are collected through annual billings to all participating employers. Employees who joined ERS after July 27, 1976 and before January 1, 2010, and have less than ten years of service or membership are required to contribute 3 percent of their salary. Those joining on or after January 1, 2010 and before April 1, 2012 are required to contribute 3.5% of their annual salary for their entire working career. Those joining on or after April 1, 2012 are required to contribute between 3% and 6%, dependent upon their salary, for their entire working career. Employee contributions are deducted from their salaries and remitted on a current basis to ERS.

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

Net pension liabilities, pension expense, deferred outflows of resources, and deferred inflows of resources amounts recorded to reflect the provisions of GASB 68 are reflective of ERS's published financial statements and actuarial valuations as of March 31, 2017 and 2016 (Measurement Date).

(In thousands)

NHCC's respective net pension liability, deferred outflows of resources, deferred inflows of resources and net pension expense related to ERS as of and for the year ended December 31, 2017 and 2016, respectively, are as follows:

	2017	2016
Proportionate share of the net pension liability		
Amount	$ 68,606	$ 115,578
Percentage	0.7301416%	0.7200978%
Prior year Percentage	0.7200978%	0.7745457%
Deferred outflows of resources	$ 42,744	$ 102,094
Deferred inflows of resources	$ 11,295	$ 14,869
Net pension expense	$ 40,364	$ 41,637

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

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

	2017	2016
Deferred outflows of resources		
Differences between expected and actual experience	$ 1,719	$ 584
Net difference between projected and actual investment earnings on pension plan investments	13,703	68,567
Changes in proportion and differences between employer contributions and proportionate share of contributions	3,883	2,122
Change in assumptions	23,439	30,821
Total	$ 42,744	$ 102,094

	2017	2016
Deferred inflows of resources		
Differences between expected and actual experience	$ 10,418	$ 13,700
Changes in proportion and difference between employer contributions and proportionate share of contributions	877	1,169
Total	$ 11,295	$ 14,869

(In thousands)

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

2018	$	13,922
2019		13,922
2020		12,217
2021		(8,612)
		31,449
Net of deferred outflows and inflows - amortized	$	31,449

Actuarial Assumptions

NHCC's net pension liability at the Measurement Date was determined by using an actuarial valuation as of April 1, 2016 and 2015, with update procedures used to roll forward the total pension liability to March 31, 2017 and 2016. The 2017 and 2016 actuarial valuations used the following actuarial assumptions:

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

Long Term Expected Rate of Return

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

	2017		2016	
	ERS		ERS	
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Domestic equity	36 %	4.55 %	38 %	7.30 %
International equity	14	6.35	13	8.55
Private equity	10	7.75	10	11.00
Real estate	10	5.80	8	8.25
Absolute return strategies	2	4.00	3	6.75
Opportunistic portfolio	3	5.89	3	8.60
Real assets	3	5.54	3	8.65
Bonds and mortgages	17	1.31	18	4.00
Cash	1	(0.25)	2	2.25
Inflation-Indexed Bonds	4	1.50	2	4.00
	100 %		100 %	

The 2017 real rate of return is net of the long-term inflation assumption of 2.50%

Discount Rate

The discount rate used to calculate the total pension liability was 7% at December 31, 2017 and 2016. The projection of cash flows used to determine the discount rate assumes that contributions from plan members will be made at the current contribution rates and that contributions from employers will be made at statutorily required rates, actuarially. Based upon the assumptions, ERS's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore the long term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

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

	2017		2016	
	Rate	**Amount**	**Rate**	**Amount**
1% decrease	6.00%	$ 219,113	6.00%	$ 260,619
Current discount rate	7.00%	68,606	7.00%	115,578
1% increase	8.00%	(58,648)	8.00%	(6,976)

Deferred Pension Contributions

NYSRSSL Chapter 57 of the Laws of 2010 authorized the New York State and local employers to amortize over ten years, at 2.63% (2017), 3.21% (2016), 3.15% (2015), 3.67% (2014) and 3.00% (2013) interest, the portion of their annual bill that exceeded 16.2%, 14.5%, 13.5%, 12.5%, and 11.5% of payroll for its 2017, 2016, 2015, 2014 and 2013 pension bills respectively. Total amount due at December 31, 2017 and 2016 related to these deferred pension contributions is approximately $42,833 and $43,190, respectively, of which $4,660 and $4,190, respectively, is included in current liabilities and $38,173 and $39,000, respectively, is included as part of other long-term liabilities, respectively, (See Note 13).

8. HEALTH INSURANCE PLAN

Employees of the Corporation are provided health care benefits in accordance with New York State Health Insurance Rules and Regulations administered by the New York State Department of Civil Service (the "NYSHIP plan"). The Corporation's union contract and ordinances require the Corporation to provide all eligible enrollees with either the NYSHIP plan or other equivalent health insurance. The plan offers comprehensive benefits through an indemnity insurance plan with managed care features, consisting of hospital, medical, health, substance abuse and prescription drug programs. For the years ended December 31, 2017 and 2016, expenses related to health insurance benefits for active and retired employees totaled approximately $74,321and $67,386, respectively.

9. POSTEMPLOYMENT RETIREMENT HEALTHCARE BENEFIT PLAN

Plan Description

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

Funding Policy

There are no post retirement employee contributions required for the NYSHIP plan. The Corporation contributes a proportionate amount of the health insurance premiums for all employees who retire. The Corporation's responsibility is based on the proportion of time the individual was employed by the Corporation compared to the time employed by the County. The Corporation funds such expenditures as incurred. Amounts paid relative to these benefits amounted to approximately $14,608 and $10,153 for the years ended December 31, 2017 and 2016, respectively.

(In thousands)

Annual OPEB Cost

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

The NYSHIP plan's annual OPEB cost and the related information at December 31, 2017 and 2016 are as follows:

	2017	2016
Annual required contribution	$ 44,832	$ 41,622
Interest on net OPEB obligation	15,221	13,922
Adjustment to ARC	(14,134)	(12,928)
Contributions made (reported in employee benefits - other)	(14,608)	(10,153)
Increase in net OPEB obligation	31,311	32,463
Net OPEB obligation - beginning of year	380,516	348,053
Net OPEB obligation - end of year	$ 411,827	$ 380,516

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

	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
December 31, 2017	$ 45,918	31.8 %	$ 411,827
December 31, 2016	42,616	23.8 %	380,516
December 31, 2015	42,773	20.4 %	348,053
December 31, 2014	41,310	19.3 %	347,330

As of December 31, 2017 and 2016, the actuarial accrued liability for benefits was $ 526,194 and $458,704, respectively, all of which was unfunded. As of December 31, 2017 and 2016, the covered payroll (annual payroll of active employees covered by the NYSHIP plan) was $174,353 and $165,687, respectively, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 302% and 277%, respectively.

The actuarial valuation dates are January 1, 2017 and 2016. 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, 2017 and 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.00% and 4.00% discount rate in 2017 and 2016, respectively, and an annual health care cost trend rate of 8.6% and 5.5% in 2017 and 2016, respectively and grading down to an ultimate rate of 3.5%. 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 September 29, 2007 to 2017, the Captive issued hospital professional and employee benefits policies on a claims-made basis and commercial general liability policies on an occurrence basis. The Captive's liability on the hospital professional and employee benefits policies is $7,000 per person ($10,000 for policy years prior to 2008) with no aggregate limit and $1,000 per claim up to an aggregate of $1,000, respectively. An excess buffer limit of $3,000 per person/$3,000 in the aggregate was introduced above the $7,000 per person primary limit on the hospital professional policy for the September 29, 2012 renewal. During 2015, the Captive entered into a commutable agreement with the Corporation, initiating a $1,000 deductible limit on all open claims as of December 31, 2015. The liability on commercial general policies is $1,000 per occurrence, except for fire damages, where the limit is $50 for any one fire, and medical payment, where the limit is $5 for any one person, up to an aggregate of $3,000.

In 2006, the Captive loaned the Corporation $10,000. The loan is repayable on demand and has been renewed until December 31, 2018. The loan bears interest at a rate of 5% per annum, payable semiannually. At December 31, 2017 and 2016, the full loan amount of $10,000 remains outstanding. Additionally, in January 2012, the Captive loaned the Corporation an additional $10,000. The loan is repayable on demand and matures on December 31, 2017. The loan bears interest at a rate of 4% per annum and is payable semiannually. At December 31, 2017 and 2016, the full loan amount of $10,000 remains outstanding. The full amount of the loans eliminate in consolidation.

In January 2018, the Cayman Islands Monetary Authority approved the return of capital of $20,000 to NHCC. Although no amounts have been repaid, the outstanding loans were netted against this return of capital.

(In thousands)

Additionally, the Corporation maintains a revolving credit demand note (the "Revolving Credit Note") with the Captive. Under the terms of the Revolving Credit Note, the Captive may lend principal of up to 100% of its cash balance to the Corporation. No interest is earned under the Revolving Credit Note if principal amounts are repaid within five business days. As at December 31, 2017 and 2016, no amounts were outstanding under the Revolving Credit Note. No interest was earned under the terms of the Revolving Credit Note in 2017.

The Captive entered into a promissory note agreement with the Corporation in the amount of $5,500, amended effective December 31, 2006 ("Promissory Note"). During the year ended December 31, 2015, the Corporation contributed $2,750 to additional paid-in-capital and reduced the promissory note to $2,750 as of December 31, 2016. The Promissory Note is unsecured, non-interest bearing and has no specific terms of repayment. The Captive may cancel the Promissory Note at any time. As of December 31, 2016, the promissory note was fully repaid by the Corporation.

At December 31, 2017 and 2016, the Captive was in compliance with its minimum capital requirement.

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

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

	2017	2016
Balance at beginning of year	$ 29,700	$ 31,698
Incurred related to:		
Current year	877	-
Prior years	-	752
Total incurred	877	752
Paid relating to:		
Current year	-	-
Prior years	(4,750)	(2,750)
Total paid	(4,750)	(2,750)
Balance at end of year	$ 25,827	$ 29,700

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

Insurance reserves and the related insurance losses and loss adjustment expenses, recorded through the Captive, have been discounted based on an assumed interest rate of 4% at December 31, 2017 and 2016.

In addition to the insurance coverage purchased from the Captive, the Corporation purchases umbrella and other coverage from commercial insurers. For the years ended December 31, 2017 and 2016, insurance expense totaled $964 and $939, respectively.

11. COMMITMENTS AND CONTINGENCIES

Collective Bargaining Agreements

Substantially all of the Corporation's employees are union employees who are covered under the terms of a collective bargaining agreement with the Civil Service Employees Association. A contract was ratified in July 2016, effective January 1, 2016, and expires on December 31, 2018.

Litigation and Claims

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

Berger Commission

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

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

(In thousands)

12. OTHER OPERATING REVENUE

Other operating revenue consists of the following for the years ended December 31, 2017 and 2016:

	2017	2016
Other non-patient related County billings	$ 25,053	$ 18,246
State aid	21,604	19,243
Health Center - LIFQHC staffing reimbursement	8,344	9,670
Medical staff housing	870	964
Equity in investment in LLC	705	1,176
Cafeteria	592	593
Rotating residents	645	652
Parking	769	527
Clerkship fees	2,035	1,934
DSRIP	40,462	30,726
VBP/QIP	20,000	15,000
Anesthesia staffing reimbursement	1,718	1,718
Other miscellaneous revenue	7,245	11,058
	$ 130,042	$ 111,507

13. LONG-TERM LIABILITIES

A schedule of changes in the Corporation's long-term liabilities for 2017 and 2016 follows:

	Balance December 31, 2016	Additions	Deductions	Balance December 31, 2017	Amounts Due Within One Year
Long-term debt	$ 216,400	$ 603	$ (14,115)	$ 202,888	$ 14,851
Self-insurance liability	79,286	15,148	(19,807)	74,627	17,165
Accrued vacation and sick leave	64,642	29,138	(25,874)	67,906	6,791
Third party liabilities	34,525	1,472	-	35,997	16,261
Postretirement health insurance	380,516	45,918	(14,607)	411,827	10,913
Accrued pension benefits	158,767	37,024	(84,204)	111,587	24,313
Interest rate swap agreements	25,101	-	(4,020)	21,081	-
Total noncurrent liabilities	$ 959,237	$ 129,303	$ (162,627)	$ 925,913	$ 90,294

(In thousands)

	Balance December 31, 2015	Additions	Deductions	Balance December 31, 2016	Amounts Due Within One Year
Long-term debt	$ 229,945	$ -	$ (13,545)	$ 216,400	$ 14,115
Self-insurance liability	66,668	24,176	(11,558)	79,286	18,260
Accrued vacation and sick leave	61,460	33,785	(30,603)	64,642	6,465
Third party liabilities	37,715	-	(3,190)	34,525	7,504
Postretirement health insurance	348,053	32,463	-	380,516	10,083
Accrued pension benefits	67,154	91,613	-	158,767	27,762
Interest rate swap agreements	30,178	-	(5,077)	25,101	-
Total noncurrent liabilities	$ 841,173	$ 182,037	$ (63,973)	$ 959,237	$ 84,189

REQUIRED SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Required Supplementary Information (Unaudited)
December 31, 2017 and 2016
(In thousands)

Schedule of Funding Progress - Other Postemployment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Level Dollar (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
January 1, 2017	-	$ 526,194	$ 526,194	-	$ 174,353	302%
January 1, 2016	-	458,704	458,704	-	165,687	277%
January 1, 2015	-	446,364	446,364	-	160,084	279%
January 1, 2014	-	402,121	402,121	-	166,344	242%

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Required Supplementary Information (Unaudited)
December 31, 2017 and 2016
(In thousands)

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

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

Schedule of Employer Contributions - Last 10 Years*

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

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

SUPPLEMENTARY INFORMATION

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position
As of December 31, 2017
(In thousands)

	Operational Divisions			Blended Component Units					
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 46,164	$ 3,857	$ -	$ -	$ -	$ -	$ -	$ (28,920)	$ 21,101
Patients accounts receivable, net	21,129	9,957	5,983	-	-	-	-	-	37,069
Inventories	7,949	183	-	-	-	-	-	-	8,132
Prepaid expenses	1,634	97	-	10	-	-	-	-	1,741
Other receivables	63,496	2,993	-	-	-	-	-	-	66,489
Assets restricted to use, required for current liabilities	29,688	5,987	2,875	-	-	-	-	-	38,550
Due from Nassau County	15,626	3,136	-	-	-	-	-	-	18,762
Due from other funds, net	(55,044)	42,676	2,241	-	-	-	-	10,127	-
Total current assets	130,642	68,886	11,099	10	-	-	-	(18,793)	191,844
Assets whose use is limited, net of current portion	-	-	-	32,201	8,752	1,433	-	-	42,386
Capital Assets - net	135,985	16,753	-	-	-	-	-	-	152,738
Other assets	29,678	-	-	1,346	76	-	-	-	31,100
Total assets	296,305	85,639	11,099	33,557	8,828	1,433	-	(18,793)	418,068
DEFERRED OUTFLOWS OF RESOURCES									
Deferred change in fair value of swaps	3,117	629	-	-	-	-	-	-	3,746
Deferred charge on refunding	24,368	4,914	-	-	-	-	-	-	29,282
Pension related	35,259	7,485	-	-	-	-	-	-	42,744
Total deferred outflows of resources	62,744	13,028	-	-	-	-	-	-	75,772

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position
As of December 31, 2017
(In thousands)

	Operational Divisions			Blended Component Units					
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
LIABILITIES									
CURRENT LIABILITIES									
Current portion of long-term debt	$ 11,729	$ 3,122	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,851
Accounts payable and accrued expenses	88,082	9,507	941	100	(39)	-	-	-	98,591
Accrued salaries and related withholdings	11,939	1,929	2,875	-	-	-	-	-	16,743
Current portion of post retirement health insurance liability	9,048	1,865	-	-	-	-	-	-	10,913
Current portion of vacation and sick leave	5,215	1,576	-	-	-	-	-	-	6,791
Current portion of self-insurance liability	11,224	-	-	5,941	-	-	-	-	17,165
Current portion of accrued pension benefits	20,374	3,939	-	-	-	-	-	-	24,313
Current portion of estimated liability to third-party payors	15,761	-	500	-	-	-	-	-	16,261
RAN and other current liabilities	35,278	(13,160)	-	(29,824)	-	-	-	9,827	2,121
Interest payable	3,483	201	-	(2,725)	-	-	-	-	959
Total current liabilities	212,133	8,979	4,316	(26,508)	(39)	-	-	9,827	208,708
NONCURRENT LIABILITIES									
Long-term debt	148,497	39,540	-	-	-	-	-	-	188,037
Estimated liability to third-party payors	14,089	5,647	-	-	-	-	-	-	19,736
Estimated postemployment health insurance liability	332,398	68,516	-	-	-	-	-	-	400,914
Estimated self-insurance liability	37,576	-	-	19,886	-	-	-	-	57,462
Estimated fair value of interest rate swap agreements	17,544	3,537	-	-	-	-	-	-	21,081
Accrued vacation and sick leave	46,933	14,182	-	-	-	-	-	-	61,115
Accrued pension benefits	73,380	13,894	-	-	-	-	-	-	87,274
Total liabilities	882,550	154,295	4,316	(6,622)	(39)	-	-	9,827	1,044,327
DEFERRED INFLOWS OF RESOURCES									
Pension related	9,318	1,977	-	-	-	-	-	-	11,295
Total deferred inflows of resources	9,318	1,977	-	-	-	-	-	-	11,295
NET POSITION									
Net investment in capital assets	89,439	4,308	-	28,920	-	-	-	(28,920)	93,747
Restricted	-	-	-	-	-	1,433	-	-	1,433
Unrestricted	(622,257)	(61,913)	6,782	11,259	8,867	-	-	300	(656,962)
Total net position	$ (532,818)	$ (57,605)	$ 6,782	$ 40,179	$ 8,867	$ 1,433	$ -	$ (28,620)	$ (561,782)

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position
As of December 31, 2016
(In thousands)

	Operational Divisions			Blended Component Units					
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
ASSETS									
CURRENT ASSETS									
Cash and cash equivalents	$ 31,927	$ 978	$ -	$ -	$ -	$ -	$ -	$ (28,920)	$ 3,985
Patients accounts receivable, net	20,176	8,472	6,227	-	-	-	-	-	34,875
Inventories	7,425	217	-	-	-	-	-	-	7,642
Prepaid expenses	250	140	-	1,346	-	-	-	-	1,736
Other receivables	86,132	21,120	-	-	-	-	-	-	107,252
Assets restricted to use, required for current liabilities	32,320	6,517	2,811	-	-	-	-	-	41,648
Due from Nassau County	10,626	2,256	-	-	-	-	-	-	12,882
Due from other funds, net	(42,578)	35,051	1,067	-	-	-	-	6,460	-
Total current assets	146,278	74,751	10,105	1,346	-	-	-	(22,460)	210,020
Assets whose use is limited, net of current portion	-	-	-	39,573	6,064	1,338	-	-	46,975
Capital assets - net	146,430	22,999	-	-	-	-	-	-	169,429
Other assets	27,949	-	-	-	-	-	-	-	27,949
Total assets	320,657	97,750	10,105	40,919	6,064	1,338	-	(22,460)	454,373
DEFERRED OUTFLOWS OF RESOURCES									
Deferred change in fair value of swaps	5,217	1,052	-	-	-	-	-	-	6,269
Deferred charge on refunding	27,197	5,484	-	-	-	-	-	-	32,681
Pension related	84,223	17,871	-	-	-	-	-	-	102,094
Total deferred outflows of resources	116,637	24,407	-	-	-	-	-	-	141,044

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Net Position
As of December 31, 2016
(In thousands)

	Operational Divisions			Blended Component Units					
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
LIABILITIES									
CURRENT LIABILITIES									
Current portion of long-term debt	$ 11,148	$ 2,967	$ -	$ -	$ -	$ -	$ -	$ -	$ 14,115
Accounts payable and accrued expenses	76,174	6,771	12	71	(26)	-	-	-	83,002
Accrued salaries and related withholdings	10,134	1,713	2,811	-	-	-	-	-	14,658
Current portion of post retirement health insurance liability	8,360	1,723	-	-	-	-	-	-	10,083
Current portion of vacation and sick leave	4,939	1,526	-	-	-	-	-	-	6,465
Current portion of self-insurance liability	10,772	-	-	7,488	-	-	-	-	18,260
Current portion of accrued pension benefits	23,042	4,720	-	-	-	-	-	-	27,762
Current portion of estimated liability to third-party payors	7,504	-	-	-	-	-	-	-	7,504
RAN and other current liabilities	79,174	(13,621)	-	(25,158)	-	-	-	5,160	45,555
Interest payable	2,584	209	-	(1,823)	-	-	-	-	970
Total current liabilities	233,831	6,008	2,823	(19,422)	(26)	-	-	5,160	228,374
NONCURRENT LIABILITIES									
Long-term debt	159,808	42,477	-	-	-	-	-	-	202,285
Estimated liability to third-party payors	19,353	7,168	500	-	-	-	-	-	27,021
Estimated postemployment health insurance liability	307,126	63,307	-	-	-	-	-	-	370,433
Estimated self-insurance liability	36,064	-	-	24,962	-	-	-	-	61,026
Estimated fair value of interest rate swap agreements	20,889	4,212	-	-	-	-	-	-	25,101
Accrued vacation and sick leave	44,447	13,730	-	-	-	-	-	-	58,177
Accrued pension benefits	108,733	22,272	-	-	-	-	-	-	131,005
Total liabilities	930,251	159,174	3,323	5,540	(26)	-	-	5,160	1,103,422
DEFERRED INFLOWS OF RESOURCES									
Pension related	12,267	2,602	-	-	-	-	-	-	14,869
Total deferred inflows of resources	12,267	2,602	-	-	-	-	-	-	14,869
NET POSITION									
Net investment in capital assets	97,083	9,882	-	28,920	-	-	-	(28,920)	106,965
Restricted	-	-	-	-	-	1,338	-	-	1,338
Unrestricted	(602,307)	(49,501)	6,782	6,459	6,090	-	-	1,300	(631,177)
Total net position	$ (505,224)	$ (39,619)	$ 6,782	$ 35,379	$ 6,090	$ 1,338	$ -	$ (27,620)	$ (522,874)

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2017
(In thousands)

	Operational Divisions			Blended Component Units					
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
OPERATING REVENUE									
Net patient service revenue	$ 379,311	$ 61,925	$ 28,754	$ -	$ -	$ -	$ -	$ (14,700)	$ 455,290
Other revenue	126,885	691	-	4,666	9,827	487	-	(12,514)	130,042
Total operating revenues	506,196	62,616	28,754	4,666	9,827	487	-	(27,214)	585,332
OPERATING EXPENSES									
Salaries	213,619	32,993	11,903	-	4,598	84	-	-	263,197
Employee benefits - pension	27,917	3,643	-	-	-	-	-	-	31,560
Employee benefits - other	83,679	16,472	465	-	767	7	-	-	101,390
Supplies and other expenses	144,331	11,756	16,386	1,046	1,682	301	-	(26,214)	149,288
Depreciation and amortization	18,711	820	-	-	3	-	-	-	19,534
	488,257	65,684	28,754	1,046	7,050	392	-	(26,214)	564,969
Income (loss) before OPEB expense	17,939	(3,068)	-	3,620	2,777	95	-	(1,000)	20,363
Employee benefits - OPEB	(25,960)	(5,351)	-	-	-	-	-	-	(31,311)
NYS Actuarial Pension Adjustment - GASB 68	(7,263)	(1,541)	-	-	-	-	-	-	(8,804)
Loss on abandoned project costs	-	(5,976)	-	-	-	-	-	-	(5,976)
Operating (loss) income	(15,284)	(15,936)	-	3,620	2,777	95	-	(1,000)	(25,728)
NONOPERATING ACTIVITIES									
Interest income	102	10	-	280	-	-	-	-	392
Interest expense	(12,412)	(2,060)	-	900	-	-	-	-	(13,572)
Total nonoperating activities, net	(12,310)	(2,050)	-	1,180	-	-	-	-	(13,180)
Capital contributions	-	-	-	-	-	-	-	-	-
Change in net position	(27,594)	(17,986)	-	4,800	2,777	95	-	(1,000)	(38,908)
Net position, beginning of year	(505,224)	(39,619)	6,782	35,379	6,090	1,338	-	(27,620)	(522,874)
Net position, end of year	$ (532,818)	$ (57,605)	$ 6,782	$ 40,179	$ 8,867	$ 1,433	$ -	$ (28,620)	$ (561,782)

See accompanying report of independent certified public accountants.

NASSAU HEALTH CARE CORPORATION
(A Component Unit Of The County of Nassau, New York)
Combining Statement of Revenues, Expenses and Changes in Net Position
For the year ended December 31, 2016
(In thousands)

	Operational Divisions				Blended Component Units				
	NUMC	AHP	FPP	NHCC, Ltd.	Nassau Healthcare Foundation	Long Island Medical Foundation	Nassau Medical Associates	Eliminations	Total
OPERATING REVENUE									
Net patient service revenue	$ 356,850	$ 85,338	$ 25,244	$ -	$ -	$ -	$ -	$ (12,072)	$ 455,360
Other revenue	101,889	573	-	7,668	7,076	635	-	(6,334)	111,507
Total operating revenues	458,739	85,911	25,244	7,668	7,076	635	-	(18,406)	566,867
OPERATING EXPENSES									
Salaries	209,559	32,344	11,042	-	3,428	62	-	-	256,435
Employee benefits - pension	28,535	3,789	-	-	-	-	-	-	32,324
Employee benefits - other	76,778	15,201	393	-	204	5	-	-	92,581
Supplies and other expenses	143,128	12,370	13,803	1,004	1,534	326	-	(18,406)	153,759
Depreciation and amortization	20,309	841	-	-	5	-	-	-	21,155
	478,309	64,545	25,238	1,004	5,171	393	-	(18,406)	556,254
Income (loss) before OPEB expense	(19,570)	21,366	6	6,664	1,905	242	-	-	10,613
Employee benefits - OPEB	(26,915)	(5,548)	-	-	-	-	-	-	(32,463)
NYS Actuarial Pension Adjustment - GASB 68	(7,683)	(1,630)	-	-	-	-	-	-	(9,313)
Operating (loss) income	(54,168)	14,188	6	6,664	1,905	242	-	-	(31,163)
NONOPERATING ACTIVITIES									
Interest income	10	1	-	151	-	-	-	-	162
Interest expense	(11,821)	(1,990)	-	900	-	-	-	-	(12,911)
Total nonoperating activities, net	(11,811)	(1,989)	-	1,051	-	-	-	-	(12,749)
Capital contributions	13,000	-	-	2,750	-	-	-	(2,750)	13,000
Change in net position	(52,979)	12,199	6	10,465	1,905	242	-	(2,750)	(30,912)
Net position, beginning of year	(452,245)	(51,818)	6,776	24,914	4,185	1,096	-	(24,870)	(491,962)
Net position, end of year	$ (505,224)	$ (39,619)	$ 6,782	$ 35,379	$ 6,090	$ 1,338	$ -	$ (27,620)	$ (522,874)

See accompanying report of independent certified public accountants.