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**To:** Howard S. Weitzman  
Nassau County Comptroller

**From:** Bruce G. Kubart  
Deputy Field Audit Director

**Date:** July 24, 2006

**Re:** Review of NHCC's Cash Balances as of July 14, 2006

In 2004, as a result of renewed concern about the financial condition of the Nassau Health Care Corporation ("NHCC"), the Comptroller's Office resumed limited monthly reviews of NHCC's cash balance. This month, the Corporation has benefited from receipt of \$35 million in IGT payments and the favorable resolution of Medicaid reimbursement issues. The IGT payment made on July 19 is approximately \$14.7 million more than had been previously anticipated and will eliminate in the near term any cash deficit for the NHCC. In addition, the increased levels of Medicaid reimbursement will provide enhanced recurring revenues to support the NHCC's operations in 2006 and thereafter. Because of the receipt of the increased IGT funds, the NHCC is no longer facing a cash crisis and this Office will suspend its monthly cash reviews. It remains important that NHCC management complete a strategic plan to ensure the Corporation's long term fiscal viability.

What follows is the cash balance review through July 14, 2006, prior to the receipt of the increased IGT funds on July 19. This limited review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. Because we only performed limited testing, our review was not sufficient to enable us to express, and we do not express, an opinion on the cash balances reported herein. Additionally, our review did not focus on the validation of any receivables or liabilities that could impact current cash balances.

Our findings show that since our June 15, 2006 review:

- the balance of available cash and cash equivalents decreased by \$5.1 million to a negative \$2.0 million.
- the balance of cash and cash equivalents and assets whose use is limited decreased by \$3.3 million.
- working capital decreased by \$7.8 million, to a negative \$0.1 million.

The following table shows the balances of reported cash and cash equivalents, the total of cash and cash equivalents and assets whose use is limited, and the working capital totals as of July 14, 2006. It also shows the net dollar change and percentage change in the balances since December 31, 2004 and 2005 and from the previous review of June 15, 2006.

<b>Summary of Cash Balances</b>								
Amounts in Thousands								
	Dec. 31, 2004 (See Note)	Dec. 31, 2005 (See Note)	June 15, 2006 (See Note)	July 14, 2006 (See Note)	Net \$ Change June. 15, 2006 to July 14, 2006	Net \$ Change Dec. 31, 2004 to July 14, 2006	Net \$ Change Dec. 31, 2005 to July 14, 2006	Percentage Change Dec. 31, 2004 to July 14, 2006
Cash and Cash Equivalents	\$30,050	\$12,944	\$3,102	(\$1,962)	(\$5,064)	(\$32,012)	(\$14,906)	(106.5%)
Cash and Cash Equivalents and Assets Whose Use is Limited	\$95,173	\$76,077	\$60,041	\$56,715	(\$3,326)	(\$38,458)	(\$19,362)	(40.4%)
Working Capital	\$29,456	\$12,335	\$7,750	(\$82)	(\$7,832)	(\$29,538)	(\$12,417)	(100.2%)

**Note**

The balances of the cash and cash equivalents and the total cash and cash equivalents and assets whose use is limited for December 31, 2004 and 2005 were obtained from the audited Consolidated Financial Statements and Other Financial Information for the Nassau Health Care Corporation and Subsidiaries for the Year Ended December 31, 2004 and 2005. The prior letters' cash and cash equivalents balances were based on the un-audited balances as of December 31, 2005. The cash and cash equivalent balance as of December 31, 2005 decreased by approximately \$2.9 million from what had been previously reported due to changes in reserve fund balances at the end of fiscal year 2005. The total cash and cash equivalents and assets whose use is limited had a minor adjustment.

The Working Capital balance for December 31, 2004 and 2005 was obtained from a trial balance and verified to the audited Consolidated Financial Statements for the year ended December 31, 2004 and 2005. The prior letters December 31, 2005 working capital was obtained from the un-audited trial balance. As a result the working capital as of December 31, 2005 decreased from what was previously reported by the approximately \$2.9 change in reserve balances.

July 14, 2006 is based upon updated bank balances obtained via inquiries performed on the bank's online system and/or by contacting the bank to obtain the balances as of the 14th of the month and balances that were carried forward from the end of the previous month. The review did not take into account any possible cash deposits or fund transfers in transit.

Certain balances used in this calculation consist of amounts reported as of the previous month's end, a methodology that has been consistently applied since we began reporting these balances.