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Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response to any question in this Part III

1

Briefly describe the organization’s mission

MCLAREN HEALTH CARE, THROUGH ITS SUBSIDIARIES, WILL BE MICHIGAN'S BEST VALUE IN HEALTHCARE AS DEFINED BY QUALITY OUTCOMES AND COST

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

Yes

No

If “Yes,” describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

Yes

No

If “Yes,” describe these changes on Schedule O

4

Describe the organization’s program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code ) (Expenses \$ 378,267,901 including grants of \$ 10,530,351 ) (Revenue \$ 463,199,895 )

PROVISION OF MEDICAL SERVICES FOR THE INPATIENT AND OUTPATIENT CARE OF PERSONS SUFFERING FROM ILLNESS, INJURY, AND DISABILITY, FOR THE PREVENTION OF ILLNESS INJURY AND DISABILITY AND FOR THE MAINTENANCE OF HEALTH SELECTED ACTIVITY STATISTICS ARE PRESENTED PATIENT DAYS 98,187DISCHARGES 21,429EMERGENCY ROOM VISITS 63,748OUTPATIENT VISITS 387,452BIRTHS 500

4b

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4c

(Code ) (Expenses \$ including grants of \$ ) (Revenue \$ )

4d
























Other program services (Describe in Schedule O )

(Expenses \$ including grants of \$ ) (Revenue \$ )

4e

Total program service expenses ▶ 378,267,901

Part IV Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 <b>Section 501(c)(3) organizations.</b> Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10	No
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b Yes	
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f Yes	
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV	14b	No
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or assistance to any organization or entity located outside the United States? If "Yes," complete Schedule F, Parts II and IV	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or assistance to individuals located outside the United States? If "Yes," complete Schedule F, Parts III and IV	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions) 	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II 	18 Yes	
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III 	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants and other assistance to any government or organization in the United States on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i> . . . . .	21	Yes	
22	Did the organization report more than \$5,000 of grants and other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i> . . . . .	22		No
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i> . . . . .	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25</i> . . . . .	24a		No
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception? . . . .	24b		
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds? . . . . .	24c		
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year? . . . .	24d		
25a	<b>Section 501(c)(3) and 501(c)(4) organizations.</b> Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i> . . . . .	25b		No
26	Was a loan to or by a current or former officer, director, trustee, key employee, highest compensated employee, or disqualified person outstanding as of the end of the organization's tax year? <i>If "Yes," complete Schedule L, Part II</i> . . . . .	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i> . . . . .	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i> . . . . .	28c	Yes	
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i> . . . .	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i> . . . . .	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i> . . . . .	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i> . . . . .	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i> . . . . .	33		No
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i> . . . . .	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	35b	Yes	
36	<b>Section 501(c)(3) organizations.</b> Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i> . . . . .	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i> . . . . .	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? <b>Note.</b> All Form 990 filers are required to complete Schedule O . . . . .	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response to any question in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable.	296	
1b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable.	4	
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	Yes	
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return.	3,446	
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? <b>Note.</b> If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions).	Yes	
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	Yes	
b	If "Yes," has it filed a Form 990-T for this year? If "No," provide an explanation in Schedule O.	Yes	
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?		No
b	If "Yes," enter the name of the foreign country: _____ See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts.		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?		No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		
7	<b>Organizations that may receive deductible contributions under section 170(c).</b>		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	Yes	
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	Yes	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8822?		No
d	If "Yes," indicate the number of Forms 8822 filed during the year.	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		
8	<b>Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations.</b> Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	<b>Sponsoring organizations maintaining donor advised funds.</b>		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	<b>Section 501(c)(7) organizations.</b> Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12.	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities.	10b	
11	<b>Section 501(c)(12) organizations.</b> Enter		
a	Gross income from members or shareholders.	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them).	11b	
12a	<b>Section 4947(a)(1) non-exempt charitable trusts.</b> Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year.	12b	
13	<b>Section 501(c)(29) qualified nonprofit health insurance issuers.</b>		
a	Is the organization licensed to issue qualified health plans in more than one state? <b>Note.</b> See the instructions for additional information the organization must report on Schedule O.	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans.	13b	
c	Enter the amount of reserves on hand.	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O.	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response to any question in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	13	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
1b	Enter the number of voting members included in line 1a, above, who are independent	10	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	Yes
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	Yes
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
7b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
8a	The governing body?	8a	Yes
8b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
10b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	No
11b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
12b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
12c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
15a	The organization's CEO, Executive Director, or top management official	15a	Yes
15b	Other officers or key employees of the organization	15b	Yes
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	No
16b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how), the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization RICK WYLES 401 S BALLENGER HWY FLINT, MI (810) 342-2000

Part VII Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

Check if Schedule O contains a response to any question in this Part VII

Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

- 1a Complete this table for all persons required to be listed Report compensation for the calendar year ending with or within the organization's tax year
- List all of the organization's **current** officers, directors, trustees (whether individuals or organizations), regardless of amount of compensation Enter -0- in columns (D), (E), and (F) if no compensation was paid

List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order individual trustees or directors, institutional trustees, officers, key employees, highest compensated employees, and former such persons

Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W- 2/1099-MISC)	(E) Reportable compensation from related organizations (W- 2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
(1) DAVID MAZURKIEWICZ TREASURER	2 00 45 00	X		X				0	1,230,393	24,400
(2) DON KOOY PRESIDENT & CEO	40 00 1 20	X		X				0	1,466,318	327,576
(3) DUANE MILLER DIRECTOR	2 00 0 00	X						0	0	0
(4) EDWARD ABBOTT SECRETARY	2 00 30	X		X				0	0	0
(5) FRAZER WADENSTORER MD DIRECTOR	2 00 0 00	X						72,340	0	0
(6) GHASSAN SAAB DIRECTOR	2 00 0 00	X						0	0	0
(7) JAGDISH BHAGAT MD DIRECTOR	2 00 0 00	X						150,000	0	0
(8) JIM CUMMINS CHAIRMAN	2 00 0 00	X						0	0	0
(9) LAWRENCE MOON DIRECTOR	2 00 0 00	X						0	0	0
(10) PHILIP INCARNATI DIRECTOR	2 00 50 90	X						0	6,686,886	2,137,055
(11) SHERRI STEPHENS DIRECTOR	2 00 0 00	X						0	0	0
(12) ELIZABETH MURPHY DIRECTOR	2 00 0 00	X						0	0	0
(13) PATRICIA PERRINE DIRECTOR	2 00 0 00	X						0	0	0
(14) RICK WYLES CFO	40 00 60			X				267,022	0	41,634
(15) AHMED HAMODA PHYSICIAN HOSPITALIST	40 00 0 00					X		300,300	0	24,500
(16) JOSEPH ARCIDI PHYSICIAN FACULTY	40 00 0 00					X		542,540	0	16,085
(17) PRAJESH PATEL PHYSICIAN HOSPITALIST	40 00 0 00					X		320,803	0	24,500



## Part VII

<b>1b</b>	<b>Sub-Total . . . . .</b>	▼			
<b>c</b>	<b>Total from continuation sheets to Part VII, Section A . . . . .</b>	▼			
<b>d</b>	<b>Total (add lines 1b and 1c) . . . . .</b>	▼	2,280,586	9,383,597	2,650,484

**2** Total number of individuals (including but not limited to those listed in Item 1) who received more than \$100,000 of reportable compensation from the organization. 215

		Yes	No
<b>3</b>	Did the organization list any <b>former</b> officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>3</b>	No
<b>4</b>	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i> . . . . .	<b>4</b>	Yes
<b>5</b>	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i> . . . . .	<b>5</b>	No

## **Section B. Independent Contractors**

**1** Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A) Name and business address	(B) Description of services	(C) Compensation
BARTON MALOWCHRISTMAN LLC 26500 AMERICAN DRIVE SOUTHFIELD MI 48034	CONSTRUCTION	3,546,162
MORRISON MANAGEMENT SPECIALISTS PO BOX 102289 ATLANTA GA 303682289	DIETARY MGMT & FOOD COSTS	3,364,454
ANTHELIO 5400 LBJ FREEWAY SUITE 200 DALLAS TX 75240	TRANSCRIPTION & CODING SERVICES	3,045,835
SORENSEN GROSS CONSTRUCTION 801 SAGINAW ST SUITE 200 FLINT MI 48502	CONSTRUCTION	1,477,541
ANESTHESIA STAFFING CONSULTANTS 30200 TELEGRAPH ROAD SUITE 220 BINGHAM FARMS MI 48025	CRNA SERVICES	1,285,739

**2** Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶40

Part VIII

Statement of Revenue

Check if Schedule O contains a response to any question in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512, 513, or 514	
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns . . .	1a				
	b	Membership dues . . . . .	1b				
	c	Fundraising events . . . . .	1c	235,125			
	d	Related organizations . . . . .	1d	8,696,707			
	e	Government grants (contributions)	1e				
	f	All other contributions, gifts, grants, and similar amounts not included above	1f	3,442,479			
	g	Noncash contributions included in lines 1a-1f \$					
	h	Total. Add lines 1a-1f . . . . .		12,374,311			
Program Service Revenue	2a	PATIENT SERVICE REVENUE	Business Code 621400	458,045,571	458,045,571		
	b	ELECTRONIC MEDICAL RECORD	621400	3,933,737	3,933,737		
	c	LABORATORY	621400	2,537,976		2,537,976	
	d	CONTRACTED MEDICAL SER	621400	1,220,587	1,220,587		
	e						
	f	All other program service revenue					
	g	Total. Add lines 2a-2f . . . . .		465,737,871			
	Other Revenue	3	Investment income (including dividends, interest, and other similar amounts) . . . . .		2,959,329		
4		Income from investment of tax-exempt bond proceeds . . .					
5		Royalties . . . . .					
6a		(i) Real		(ii) Personal			
		1,329,867					
		1,031,049					
		298,818					
b		Less rental expenses					
c		Rental income or (loss)					
d		Net rental income or (loss) . . . . .		298,818			298,818
7a		(i) Securities		(ii) Other			
		10,096,250		2,500			
		7,340,576		188,792			
		2,755,674		-186,292			
b		Less cost or other basis and sales expenses					
c		Gain or (loss)					
d		Net gain or (loss) . . . . .		2,569,382			2,569,382
8a		Gross income from fundraising events (not including \$ 235,125 of contributions reported on line 1c) See Part IV, line 18 . . . . .					
a		115,285					
b		Less direct expenses . . . . .		b	162,131		
c	Net income or (loss) from fundraising events . . .		-46,846			-46,846	
9a	Gross income from gaming activities See Part IV, line 19 . . . . .						
a							
b	Less direct expenses . . . . .		b				
c	Net income or (loss) from gaming activities . . .						
10a	Gross sales of inventory, less returns and allowances . . . . .		a				
a							
b	Less cost of goods sold . . . . .		b				
c	Net income or (loss) from sales of inventory . . .						
Miscellaneous Revenue		Business Code					
11a	CAFETERIA	900099	1,145,325			1,145,325	
b							
c							
d	All other revenue . . . . .						
e	Total. Add lines 11a-11d . . . . .		1,145,325				
12	Total revenue. See Instructions . . . . .		485,038,190	463,199,895	2,537,976	6,926,008	

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns All other organizations must complete column (A)

Check if Schedule O contains a response to any question in this Part IX

☒

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States See Part IV, line 21	10,530,351	10,530,351		
2	Grants and other assistance to individuals in the United States See Part IV, line 22				
3	Grants and other assistance to governments, organizations, and individuals outside the United States See Part IV, lines 15 and 16				
4	Benefits paid to or for members				
5	Compensation of current officers, directors, trustees, and key employees . . . . .	10,387,036	10,101,380	285,656	
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B) . . . . .				
7	Other salaries and wages	157,601,987	133,412,841	24,189,146	
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions) . . . . .	15,842,602	13,534,448	2,308,154	
9	Other employee benefits . . . . .	25,553,407	21,830,458	3,722,949	
10	Payroll taxes . . . . .	11,452,976	9,968,575	1,484,401	
11	Fees for services (non-employees)				
a	Management . . . . .				
b	Legal . . . . .	329,475		329,475	
c	Accounting . . . . .	119,350		119,350	
d	Lobbying . . . . .	14,651		14,651	
e	Professional fundraising services See Part IV, line 17				
f	Investment management fees . . . . .				
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O) . . . . .	56,876,883	31,954,103	24,922,780	
12	Advertising and promotion . . . . .	1,081,241	173,957	907,284	
13	Office expenses . . . . .	79,678,625	76,568,983	3,109,642	
14	Information technology . . . . .	452,533	420,805	31,728	
15	Royalties . . . . .				
16	Occupancy . . . . .	7,077,399	2,248,252	4,829,147	
17	Travel . . . . .	247,628	186,729	60,899	
18	Payments of travel or entertainment expenses for any federal, state, or local public officials . . . . .				
19	Conferences, conventions, and meetings . . . . .	482,873	122,321	360,552	
20	Interest . . . . .	5,938,229	5,047,495	890,734	
21	Payments to affiliates . . . . .				
22	Depreciation, depletion, and amortization . . . . .	19,999,815	9,160,838	10,838,977	
23	Insurance . . . . .	816,668	816,668		
24	Other expenses Itemize expenses not covered above (List miscellaneous expenses in line 24e If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O )				
a	BAD DEBT EXPENSE	25,167,051	25,167,051		
b	CHARITY CARE	14,994,922	14,994,922		
c	QUALITY ASSURANCE ASSES	7,959,841	7,959,841		
d	REPAIRS & MAINTENANCE	6,021,309	3,749,998	2,271,311	
e	All other expenses	897,642	317,885	579,757	
25	Total functional expenses. Add lines 1 through 24e	459,524,494	378,267,901	81,256,593	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720)				

Part X

Balance Sheet

Check if Schedule O contains a response to any question in this Part X ☐

				(A)		(B)
				Beginning of year		End of year
Assets	<b>1</b>	Cash—non-interest-bearing . . . . .			<b>1</b>	
	<b>2</b>	Savings and temporary cash investments . . . . .		19,401,002	<b>2</b>	20,205,967
	<b>3</b>	Pledges and grants receivable, net . . . . .			<b>3</b>	
	<b>4</b>	Accounts receivable, net . . . . .		78,670,202	<b>4</b>	68,846,521
	<b>5</b>	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L . . . . .			<b>5</b>	
	<b>6</b>	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L . . . . .			<b>6</b>	
	<b>7</b>	Notes and loans receivable, net . . . . .			<b>7</b>	
	<b>8</b>	Inventories for sale or use . . . . .		6,150,029	<b>8</b>	7,795,000
	<b>9</b>	Prepaid expenses and deferred charges . . . . .		1,213,614	<b>9</b>	1,856,267
	<b>10a</b>	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D . . . . .	<b>10a</b>	442,860,423		
	<b>b</b>	Less: accumulated depreciation . . . . .	<b>10b</b>	244,613,436	191,895,251	<b>10c</b> 198,246,987
	<b>11</b>	Investments—publicly traded securities . . . . .			<b>11</b>	
	<b>12</b>	Investments—other securities. See Part IV, line 11 . . . . .		135,302,997	<b>12</b>	141,821,762
	<b>13</b>	Investments—program-related. See Part IV, line 11 . . . . .		82,700	<b>13</b>	82,700
	<b>14</b>	Intangible assets . . . . .			<b>14</b>	
	<b>15</b>	Other assets. See Part IV, line 11 . . . . .		22,391,379	<b>15</b>	24,484,354
	<b>16</b>	<b>Total assets.</b> Add lines 1 through 15 (must equal line 34) . . . . .		455,107,174	<b>16</b>	463,339,558
Liabilities	<b>17</b>	Accounts payable and accrued expenses . . . . .		41,216,976	<b>17</b>	40,063,128
	<b>18</b>	Grants payable . . . . .			<b>18</b>	
	<b>19</b>	Deferred revenue . . . . .			<b>19</b>	
	<b>20</b>	Tax-exempt bond liabilities . . . . .		115,951,075	<b>20</b>	114,391,315
	<b>21</b>	Escrow or custodial account liability. Complete Part IV of Schedule D . . . . .			<b>21</b>	
	<b>22</b>	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L . . . . .			<b>22</b>	
	<b>23</b>	Secured mortgages and notes payable to unrelated third parties . . . . .		78,118,049	<b>23</b>	75,399,697
	<b>24</b>	Unsecured notes and loans payable to unrelated third parties . . . . .			<b>24</b>	
	<b>25</b>	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17-24). Complete Part X of Schedule D . . . . .		158,552,967	<b>25</b>	66,211,181
	<b>26</b>	<b>Total liabilities.</b> Add lines 17 through 25 . . . . .		393,839,067	<b>26</b>	296,065,321
Net Assets or Fund Balances		<b>Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.</b>				
	<b>27</b>	Unrestricted net assets . . . . .		58,145,183	<b>27</b>	164,080,899
	<b>28</b>	Temporarily restricted net assets . . . . .		3,122,924	<b>28</b>	3,193,338
	<b>29</b>	Permanently restricted net assets . . . . .			<b>29</b>	
		<b>Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.</b>				
	<b>30</b>	Capital stock or trust principal, or current funds . . . . .			<b>30</b>	
	<b>31</b>	Paid-in or capital surplus, or land, building or equipment fund . . . . .			<b>31</b>	
	<b>32</b>	Retained earnings, endowment, accumulated income, or other funds . . . . .			<b>32</b>	
	<b>33</b>	<b>Total net assets or fund balances</b> . . . . .		61,268,107	<b>33</b>	167,274,237
	<b>34</b>	<b>Total liabilities and net assets/fund balances</b> . . . . .		455,107,174	<b>34</b>	463,339,558

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response to any question in this Part XI . . . . .

1	Total revenue (must equal Part VIII, column (A), line 12) . . . . .	1	485,038,190
2	Total expenses (must equal Part IX, column (A), line 25) . . . . .	2	459,524,494
3	Revenue less expenses Subtract line 2 from line 1 . . . . .	3	25,513,696
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A)) . . . . .	4	61,268,107
5	Net unrealized gains (losses) on investments . . . . .	5	14,614,906
6	Donated services and use of facilities . . . . .	6	
7	Investment expenses . . . . .	7	
8	Prior period adjustments . . . . .	8	
9	Other changes in net assets or fund balances (explain in Schedule O) . . . . .	9	65,877,528
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	167,274,237

Part XII Financial Statements and Reporting

Check if Schedule O contains a response to any question in this Part XII . . . . .

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2a	No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	2b	Yes
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	2c	Yes
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	3a	No
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	3b	

SCHEDULE A  
(Form 990 or 990EZ)

Department of the Treasury  
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

► Attach to Form 990 or Form 990-EZ. ► See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
MCLAREN REGIONAL MEDICAL CENTER

Employer identification number  
38-2383119

Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box )

- 1

☐

A church, convention of churches, or association of churches described in **section 170(b)(1)(A)(i).**
- 2

☐

A school described in **section 170(b)(1)(A)(ii).** (Attach Schedule E )
- 3

☒

A hospital or a cooperative hospital service organization described in **section 170(b)(1)(A)(iii).**
- 4

☐

A medical research organization operated in conjunction with a hospital described in **section 170(b)(1)(A)(iii).** Enter the hospital's name, city, and state \_\_\_\_\_
- 5

☐

An organization operated for the benefit of a college or university owned or operated by a governmental unit described in **section 170(b)(1)(A)(iv).** (Complete Part II )
- 6

☐

A federal, state, or local government or governmental unit described in **section 170(b)(1)(A)(v).**
- 7

☐

An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in **section 170(b)(1)(A)(vi).** (Complete Part II )
- 8

☐

A community trust described in **section 170(b)(1)(A)(vi)** (Complete Part II )
- 9

☐

An organization that normally receives (1) more than 33<sup>1</sup>/<sub>3</sub>% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33<sup>1</sup>/<sub>3</sub>% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See **section 509(a)(2).** (Complete Part III )
- 10

☐

An organization organized and operated exclusively to test for public safety See **section 509(a)(4).**
- 11

☐

An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See **section 509(a)(3).** Check the box that describes the type of supporting organization and complete lines 11e through 11h  

a

☐

Type I 

b

☐

Type II 

c

☐

Type III - Functionally integrated 

d

☐

Type III - Non-functionally integrated
- e

☐

By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
- f

☐

If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
- g

☐

Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons?  

(i)

A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization?

(ii)

A family member of a person described in (i) above?

(iii)

A 35% controlled entity of a person described in (i) or (ii) above?

h

☐

Provide the following information about the supported organization(s)
- |          | Yes | No |
|----------|-----|----|
| 11g(i)   |     |    |
| 11g(ii)  |     |    |
| 11g(iii) |     |    |
- | (i) Name of supported organization | (ii) EIN | (iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions)) | (iv) Is the organization in col (i) listed in your governing document? |    | (v) Did you notify the organization in col (i) of your support? |    | (vi) Is the organization in col (i) organized in the U S ? |    | (vii) Amount of monetary support |
|------------------------------------|----------|--|--|----|---|----|--|----|----------------------------------|
|                                    |          |  | Yes  | No | Yes   | No | Yes  | No |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
|                                    |          |  |  |    |   |    |  |    |                                  |
| Total                              |          |  |  |    |   |    |  |    |                                  |
- For Paperwork Reduction Act Notice, see the Instructions for Form 990 or 990EZ.

Cat No 11285F

Schedule A (Form 990 or 990-EZ) 2012

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)  
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV )						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here . . . . . ▶						

Section C. Computation of Public Support Percentage						
14 Public support percentage for 2012 (line 6, column (f) divided by line 11, column (f))		14				
15 Public support percentage for 2011 Schedule A, Part II, line 14		15				
16a 33 1/3% support test—2012. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
b 33 1/3% support test—2011. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization						▶
17a 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
b 10%-facts-and-circumstances test—2011. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization						▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions						▶

Part IIIPart III

Support Schedule for Organizations Described in Section 509(a)(2)  
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2008	(b) 2009	(c) 2010	(d) 2011	(e) 2012	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2012 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2011 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2012 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2011 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2012. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2011. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		



**Part IV** **Supplemental Information.** Complete this part to provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Explanation

SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527

▶ Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.  
▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

If the organization answered “Yes” to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered “Yes” to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered “Yes” to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization MCLAREN REGIONAL MEDICAL CENTER	Employer identification number 38-2383119
---	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization’s direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$
3	Volunteer hours	

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If “Yes,” describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization’s funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

**Part II-A Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).**

- A** Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B** Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
<b>1a</b>	Total lobbying expenditures to influence public opinion (grass roots lobbying)														
<b>b</b>	Total lobbying expenditures to influence a legislative body (direct lobbying)														
<b>c</b>	Total lobbying expenditures (add lines 1a and 1b)														
<b>d</b>	Other exempt purpose expenditures														
<b>e</b>	Total exempt purpose expenditures (add lines 1c and 1d)														
<b>f</b>	Lobbying nontaxable amount. Enter the amount from the following table in both columns														
<table><thead><tr><th>If the amount on line 1e, column (a) or (b) is:</th><th>The lobbying nontaxable amount is:</th></tr></thead><tbody><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></tbody></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
<b>g</b>	Grassroots nontaxable amount (enter 25% of line 1f)														
<b>h</b>	Subtract line 1g from line 1a. If zero or less, enter -0-														
<b>i</b>	Subtract line 1f from line 1c. If zero or less, enter -0-														
<b>j</b>	If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No													

**4-Year Averaging Period Under Section 501(h)**  
**(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)**

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) Total
<b>2a</b> Lobbying nontaxable amount					
<b>b</b> Lobbying ceiling amount (150% of line 2a, column(e))					
<b>c</b> Total lobbying expenditures					
<b>d</b> Grassroots nontaxable amount					
<b>e</b> Grassroots ceiling amount (150% of line 2d, column (e))					
<b>f</b> Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
	a Volunteers?			
	b Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?			
	c Media advertisements?			
	d Mailings to members, legislators, or the public?			
	e Publications, or published or broadcast statements?			
	f Grants to other organizations for lobbying purposes?			
	g Direct contact with legislators, their staffs, government officials, or a legislative body?			
	h Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?			
	i Other activities?	Yes		14,651
	j Total Add lines 1c through 1i			14,651
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?			

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

	Yes	No
1 Were substantially all (90% or more) dues received nondeductible by members?	1	
2 Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3 Did the organization agree to carry over lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Complete this part to provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Identifier	Return Reference	Explanation
EXPLANATION OF LOBBYING ACTIVITIES	PART II-B, LINE 1	A PORTION OF OUR DUES TO MICHIGAN HEALTH AND HOSPITAL ASSOCIATION SUPPORT LOBBYING ACTIVITIES

SCHEDULE D  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Supplemental Financial Statements

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
MCLAREN REGIONAL MEDICAL CENTER

Employer identification number  
38-2383119

Part I

Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1	Total number at end of year	
2	Aggregate contributions to (during year)	
3	Aggregate grants from (during year)	
4	Aggregate value at end of year	
5	Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	
6	Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit? <div><input type="checkbox"/> Yes<input type="checkbox"/> No</div>	

Part II

Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1

Purpose(s) of conservation easements held by the organization (check all that apply)

☐ Preservation of land for public use (e g , recreation or education)☐ Preservation of an historically important land area☐ Protection of natural habitat☐ Preservation of a certified historic structure☐ Preservation of open space

2

Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

	Held at the End of the Year
a	Total number of conservation easements
b	Total acreage restricted by conservation easements
c	Number of conservation easements on a certified historic structure included in (a)
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

3

Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶\_\_\_\_\_

4

Number of states where property subject to conservation easement is located ▶\_\_\_\_\_

5

Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds?

☐ Yes☐ No

6

Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶\_\_\_\_\_

7

Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶\$ \_\_\_\_\_

8

Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)?

☐ Yes☐ No

9

In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III

Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a

If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b

If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

(ii) Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

2

If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a

Revenues included in Form 990, Part VIII, line 1

▶ \$ \_\_\_\_\_

b

Assets included in Form 990, Part X

▶ \$ \_\_\_\_\_

For Paperwork Reduction Act Notice, see the Instructions for Form 990.

Cat No 52283D

Schedule D (Form 990) 2012

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets (continued)

3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)

a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other

4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII

5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII and complete the following table

c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance

	Amount
1c	
1d	
1e	
1f	

2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No

b

If "Yes," explain the arrangement in Part XIII. Check here if the explanation has been provided in Part XIII

☐

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a	Beginning of year balance				
b	Contributions				
c	Net investment earnings, gains, and losses				
d	Grants or scholarships				
e	Other expenditures for facilities and programs				
f	Administrative expenses				
g	End of year balance				

2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as

a

Board designated or quasi-endowment

b

Permanent endowment

c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%

3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by

(i)

unrelated organizations

(ii)

related organizations

b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

	Yes	No
3a(i)		
3a(ii)		
3b		

4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b)Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land		5,750,648		5,750,648
b Buildings		127,300,235	81,132,636	46,167,599
c Leasehold improvements		3,874,024	2,435,582	1,438,442
d Equipment		210,802,751	156,039,482	54,763,269
e Other		95,132,765	5,005,736	90,127,029
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				198,246,987



<b>Part XI</b>					<b>Reconciliation of Revenue per Audited Financial Statements With Revenue per Return</b>				
<b>1</b>		Total revenue, gains, and other support per audited financial statements . . . . .				<b>1</b>			
<b>2</b>		Amounts included on line 1 but not on Form 990, Part VIII, line 12							
<b>a</b>		Net unrealized gains on investments . . . . .		<b>2a</b>					
<b>b</b>		Donated services and use of facilities . . . . .		<b>2b</b>					
<b>c</b>		Recoveries of prior year grants . . . . .		<b>2c</b>					
<b>d</b>		Other (Describe in Part XIII ) . . . . .		<b>2d</b>					
<b>e</b>		Add lines <b>2a</b> through <b>2d</b> . . . . .				<b>2e</b>			
<b>3</b>		Subtract line <b>2e</b> from line <b>1</b> . . . . .				<b>3</b>			
<b>4</b>		Amounts included on Form 990, Part VIII, line 12, but not on line <b>1</b>							
<b>a</b>		Investment expenses not included on Form 990, Part VIII, line 7b . . . . .		<b>4a</b>					
<b>b</b>		Other (Describe in Part XIII ) . . . . .		<b>4b</b>					
<b>c</b>		Add lines <b>4a</b> and <b>4b</b> . . . . .				<b>4c</b>			
<b>5</b>		Total revenue. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 12 ) . . . . .				<b>5</b>			
<b>Part XII</b>					<b>Reconciliation of Expenses per Audited Financial Statements With Expenses per Return</b>				
<b>1</b>		Total expenses and losses per audited financial statements . . . . .				<b>1</b>			
<b>2</b>		Amounts included on line 1 but not on Form 990, Part IX, line 25							
<b>a</b>		Donated services and use of facilities . . . . .		<b>2a</b>					
<b>b</b>		Prior year adjustments . . . . .		<b>2b</b>					
<b>c</b>		Other losses . . . . .		<b>2c</b>					
<b>d</b>		Other (Describe in Part XIII ) . . . . .		<b>2d</b>					
<b>e</b>		Add lines <b>2a</b> through <b>2d</b> . . . . .				<b>2e</b>			
<b>3</b>		Subtract line <b>2e</b> from line <b>1</b> . . . . .				<b>3</b>			
<b>4</b>		Amounts included on Form 990, Part IX, line 25, but not on line <b>1</b> :							
<b>a</b>		Investment expenses not included on Form 990, Part VIII, line 7b . . . . .		<b>4a</b>					
<b>b</b>		Other (Describe in Part XIII ) . . . . .		<b>4b</b>					
<b>c</b>		Add lines <b>4a</b> and <b>4b</b> . . . . .				<b>4c</b>			
<b>5</b>		Total expenses. Add lines <b>3</b> and <b>4c</b> . (This must equal Form 990, Part I, line 18 ) . . . . .				<b>5</b>			

**Part XIII**

**Supplemental Information**

Complete this part to provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Identifier	Return Reference	Explanation
DESCRIPTION OF UNCERTAIN TAX POSITIONS UNDER FIN 48	PART X, LINE 2	THE CORPORATION AND SUBSTANTIALLY ALL OF ITS SUBSIDIARIES ARE NONPROFIT, TAX-EXEMPT ORGANIZATIONS, ACCORDINGLY, NO TAX PROVISION IS REFLECTED IN THE CONSOLIDATED FINANCIAL STATEMENTS. SOME SUBSIDIARIES ARE FOR-PROFIT CORPORATIONS. INCOME TAX PROVISIONS ARE NOT MATERIAL TO THE CONSOLIDATED FINANCIAL STATEMENTS. THE ACCOUNTING STANDARD THAT REFERS TO ACCOUNTING FOR UNCERTAINTY IN INCOME TAXES ADDRESSES THE DETERMINATION OF HOW TAX BENEFITS CLAIMED OR EXPECTED TO BE CLAIMED ON A TAX RETURN SHOULD BE RECORDED ON THE CONSOLIDATED FINANCIAL STATEMENTS. COMPANIES MUST RECOGNIZE THE TAX BENEFIT FROM AN UNCERTAIN TAX POSITION ONLY IF IT IS MORE LIKELY THAN NOT THAT THE TAX POSITION WILL BE SUSTAINED ON EXAMINATION BY THE TAXING AUTHORITIES, BASED ON THE TECHNICAL MERITS OF THE POSITION. THE STANDARD ALSO PROVIDES GUIDANCE ON DERECOGNITION, CLASSIFICATION, INTEREST AND PENALTIES ON INCOME TAXES, AND ACCOUNTING IN INTERIM PERIODS, AND REQUIRES INCREASED DISCLOSURES. THE EVALUATED POTENTIAL EXPOSURE RELATED TO UNCERTAIN TAX POSITIONS WAS FOUND TO BE IMMATERIAL. THE CORPORATION IS SUBJECT TO ROUTINE AUDITS BY TAXING JURISDICTIONS. THE CORPORATION AND CERTAIN OF ITS SUBSIDIARIES ARE CURRENTLY BEING AUDITED BY THE IRS FOR THE 2012, 2011, AND 2010 TAX PERIODS. THE CORPORATION IS UNABLE TO QUANTIFY A TAX LIABILITY, IF ANY, AT THIS TIME. MANAGEMENT BELIEVES THE CORPORATION IS NOT SUBJECT TO TAX EXAMINATIONS FOR YEARS PRIOR TO SEPTEMBER 30, 2010.





Part II Fundraising Events. Complete if the organization answered "Yes" to Form 990, Part IV, line 18, or reported more than \$15,000 of fundraising event contributions and gross income on Form 990-EZ, lines 1 and 6b. List events with gross receipts greater than \$5,000.

		(a) Event #1	(b) Event #2	(c) Other events	(d) Total events
		CLUB 401 (event type)	GOLF OUTING (event type)	(total number)	(add col (a) through col (c))
Revenue	1	Gross receipts . . . .	119,042	231,368	350,410
	2	Less Contributions . . .	79,877	155,248	235,125
	3	Gross income (line 1 minus line 2) . . . .	39,165	76,120	115,285
Direct Expenses	4	Cash prizes . . . .		6,750	6,750
	5	Noncash prizes . . .			
	6	Rent/facility costs . . .	40,683	78,647	119,330
	7	Food and beverages .			
	8	Entertainment . . . .			
	9	Other direct expenses .	18,961	17,090	36,051
	10	Direct expense summary Add lines 4 through 9 in column (d) . . . . . ▶			(162,131)
	11	Net income summary Combine line 3, column (d), and line 10 . . . . . ▶			-46,846

Part III Gaming. Complete if the organization answered "Yes" to Form 990, Part IV, line 19, or reported more than \$15,000 on Form 990-EZ, line 6a.

		(a) Bingo	(b) Pull tabs/Instant bingo/progressive bingo	(c) Other gaming	(d) Total gaming (add col (a) through col (c))
Revenue	1	Gross revenue . . . . .			
Direct Expenses	2	Cash prizes . . . . .			
	3	Non-cash prizes . . . .			
	4	Rent/facility costs . . . .			
	5	Other direct expenses . . .			
	6	Volunteer labor . . . .	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	<div><input type="checkbox"/> Yes</div> <div><input type="checkbox"/> No</div>	
	7	Direct expense summary Add lines 2 through 5 in column (d) . . . . . ▶			
	8	Net gaming income summary Combine lines 1 and 7 in column (d) . . . . . ▶			

9 Enter the state(s) in which the organization operates gaming activities \_\_\_\_\_

a Is the organization licensed to operate gaming activities in each of these states? . . . . . ☐ Yes ☐ No

b If "No," explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10a Were any of the organization's gaming licenses revoked, suspended or terminated during the tax year? . . . . . ☐ Yes ☐ No

b If "Yes," explain \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Does the organization operate gaming activities with nonmembers? ☐ Yes ☐ No

12 Is the organization a grantor, beneficiary or trustee of a trust or a member of a partnership or other entity formed to administer charitable gaming? ☐ Yes ☐ No

13 Indicate the percentage of gaming activity operated in

a The organization's facility	13a	
b An outside facility	13b	

14 Enter the name and address of the person who prepares the organization's gaming/special events books and records

Name ▶ .....

Address ▶ .....

15a Does the organization have a contract with a third party from whom the organization receives gaming revenue? ☐ Yes ☐ No

b If "Yes," enter the amount of gaming revenue received by the organization ▶ \$ \_\_\_\_\_ and the amount of gaming revenue retained by the third party ▶ \$ \_\_\_\_\_

c If "Yes," enter name and address of the third party

Name ▶ .....

Address ▶ .....

16 Gaming manager information

Name ▶ .....

Gaming manager compensation ▶ \$ .....

Description of services provided ▶ .....

☐ Director/officer ☐ Employee ☐ Independent contractor

17 Mandatory distributions

a Is the organization required under state law to make charitable distributions from the gaming proceeds to retain the state gaming license? ☐ Yes ☐ No

b Enter the amount of distributions required under state law distributed to other exempt organizations or spent in the organization's own exempt activities during the tax year ▶ \$ \_\_\_\_\_

**Part IV Supplemental Information.** Complete this part to provide the explanations required by Part I, line 2b, columns (iii) and (v), and Part III, lines 9, 9b, 10b, 15b, 15c, 16, and 17b, as applicable. Also complete this part to provide any additional information (see instructions).

Identifier	Return Reference	Explanation
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SCHEDULE H  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Hospitals

▶ **Complete if the organization answered "Yes" to Form 990, Part IV, question 20.**  
▶ **Attach to Form 990. ▶ See separate instructions.**

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
MCLAREN REGIONAL MEDICAL CENTER

Employer identification number  
38-2383119

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No	
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a . . . . .	1a	Yes	
b	If "Yes," was it a written policy? . . . . .	1b	Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year  <input type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities			
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year  a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care  <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other <u>25000 0000000000</u> %  b Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care . . . . .  <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input checked="" type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %  c If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care  4 Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"? . . . . .	3a	Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year? . . . . .	3b	Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount? . . . . .	4	Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care? . . . . .	5a	Yes	
6a	Did the organization prepare a community benefit report during the tax year? . . . . .	5b	Yes	
b	If "Yes," did the organization make it available to the public? . . . . .	5c		No
	Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H	6a	Yes	
		6b	Yes	

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1) . . . . .			4,446,826	1,069,818	3,377,008	0 780 %
b Medicaid (from Worksheet 3, column a) . . . . .			52,604,643	38,129,804	14,474,839	3 330 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . . . . .			7,897,876	675,709	7,222,167	1 660 %
d <b>Total</b> Financial Assistance and Means-Tested Government Programs . . . . .			64,949,345	39,875,331	25,074,014	5 770 %
<b>Other Benefits</b>						
e Community health improvement services and community benefit operations (from Worksheet 4) . . . . .						
f Health professions education (from Worksheet 5) . . . . .			12,765,773	8,594,821	4,170,952	0 960 %
g Subsidized health services (from Worksheet 6) . . . . .			3,580,721	1,160,470	2,420,251	0 560 %
h Research (from Worksheet 7) . . . . .						
i Cash and in-kind contributions for community benefit (from Worksheet 8) . . . . .						
j <b>Total.</b> Other Benefits . . . . .			16,346,494	9,755,291	6,591,203	1 520 %
k <b>Total.</b> Add lines 7d and 7j . . . . .			81,295,839	49,630,622	31,665,217	7 290 %

Part II

Community Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1	Physical improvements and housing					
2	Economic development					
3	Community support					
4	Environmental improvements					
5	Leadership development and training for community members					
6	Coalition building					
7	Community health improvement advocacy					
8	Workforce development					
9	Other					
10	Total					

Part III

Bad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1

Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1

Yes

2

Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

2

25,167,051

3

Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

3

10,066,820

4

Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5

Enter total revenue received from Medicare (including DSH and IME).

5

175,543,590

6

Enter Medicare allowable costs of care relating to payments on line 5.

6

139,361,985

7

Subtract line 6 from line 5. This is the surplus (or shortfall).

7

36,181,605

8

Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.  
☐ Cost accounting system ☒ Cost to charge ratio ☐ Other

Section C. Collection Practices

9a

Did the organization have a written debt collection policy during the tax year?

9a

Yes

b

If "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9b

No

Part IV

Management Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)  
How many hospital facilities did the organization operate during the tax year?  
1

Name, address, and primary website address

		Licensed hospital	General medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (Describe)	Facility reporting group
1	MCLAREN REGIONAL MEDICAL CENTER 401 S BALLENGER HIGHWAY FLINT, MI 48532	X	X		X		X	X		REHABILITATIVE & PSYCHIATRIC SERVICES AND DIAGNOSTIC CENTER	

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

NA

Name of hospital facility or facility reporting group

For single facility filers only: line Number of Hospital Facility (from Schedule H, Part V, Section A) 1

		Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)			
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 . . . . . If "Yes," indicate what the CHNA report describes (check all that apply)	1	Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility			
b <input checked="" type="checkbox"/> Demographics of the community			
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d <input checked="" type="checkbox"/> How data was obtained			
e <input checked="" type="checkbox"/> The health needs of the community			
f <input type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs			
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests			
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs			
j <input type="checkbox"/> Other (describe in Part VI)			
2 Indicate the tax year the hospital facility last conducted a CHNA 20 12			
3 In conducting its most recent CHNA, did the hospital facility take into account input from representatives of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted . . . . .	3	Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI . . . . .	4	Yes	
5 Did the hospital facility make its CHNA report widely available to the public? . . . . . If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5	Yes	
a <input checked="" type="checkbox"/> Hospital facility's website			
b <input checked="" type="checkbox"/> Available upon request from the hospital facility			
c <input checked="" type="checkbox"/> Other (describe in Part VI)			
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply to date)			
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA			
b <input checked="" type="checkbox"/> Execution of the implementation strategy			
c <input checked="" type="checkbox"/> Participation in the development of a community-wide plan			
d <input checked="" type="checkbox"/> Participation in the execution of a community-wide plan			
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans			
f <input type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA			
g <input checked="" type="checkbox"/> Prioritization of health needs in its community			
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community			
i <input type="checkbox"/> Other (describe in Part VI)			
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs . . . . .	7		No
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)? . . . . .	8a		No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax? . . . . .	8b		
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$_____			

Part V

Facility Information (continued)

Financial Assistance Policy		Yes	No
<b>9</b> Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?		<b>9</b> Yes	
<b>10</b> Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for free care <u>250 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>10</b> Yes	
<b>11</b> Used FPG to determine eligibility for providing <i>discounted</i> care? . . . . . If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>350 00000000000000</u> % If "No," explain in Part VI the criteria the hospital facility used		<b>11</b> Yes	
<b>12</b> Explained the basis for calculating amounts charged to patients? . . . . . If "Yes," indicate the factors used in determining such amounts (check all that apply)		<b>12</b>	No
<b>a</b> <input type="checkbox"/> Income level			
<b>b</b> <input type="checkbox"/> Asset level			
<b>c</b> <input type="checkbox"/> Medical indigency			
<b>d</b> <input type="checkbox"/> Insurance status			
<b>e</b> <input type="checkbox"/> Uninsured discount			
<b>f</b> <input type="checkbox"/> Medicaid/Medicare			
<b>g</b> <input type="checkbox"/> State regulation			
<b>h</b> <input type="checkbox"/> Other (describe in Part VI)			
<b>13</b> Explained the method for applying for financial assistance? . . . . .		<b>13</b> Yes	
<b>14</b> Included measures to publicize the policy within the community served by the hospital facility? . . . . . If "Yes," indicate how the hospital facility publicized the policy (check all that apply)		<b>14</b> Yes	
<b>a</b> <input checked="" type="checkbox"/> The policy was posted on the hospital facility's website			
<b>b</b> <input type="checkbox"/> The policy was attached to billing invoices			
<b>c</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms			
<b>d</b> <input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices			
<b>e</b> <input type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility			
<b>f</b> <input checked="" type="checkbox"/> The policy was available upon request			
<b>g</b> <input type="checkbox"/> Other (describe in Part VI)			
Billing and Collections			
<b>15</b> Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment? . . . . .		<b>15</b>	No
<b>16</b> Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP			
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			
<b>17</b> Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the patient's eligibility under the facility's FAP? . . . . . If "Yes," check all actions in which the hospital facility or a third party engaged		<b>17</b>	No
<b>a</b> <input type="checkbox"/> Reporting to credit agency			
<b>b</b> <input type="checkbox"/> Lawsuits			
<b>c</b> <input type="checkbox"/> Liens on residences			
<b>d</b> <input type="checkbox"/> Body attachments			
<b>e</b> <input type="checkbox"/> Other similar actions (describe in Part VI)			



Part V

Facility Information (continued)

- 18
- Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a

☒

Notified individuals of the financial assistance policy on admission
- b

☒

Notified individuals of the financial assistance policy prior to discharge
- c

☒

Notified individuals of the financial assistance policy in communications with the patients regarding the patients' bills
- d

☒

Documented its determination of whether patients were eligible for financial assistance under the hospital facility's financial assistance policy
- e

☐

Other (describe in Part VI)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy? . . . . . If "No," indicate why	Yes	
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input checked="" type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individuals to whom the hospital facility provided emergency or other medically necessary services, more than the amounts generally billed to individuals who had insurance covering such care? . . . . . If "Yes," explain in Part VI		No
22	During the tax year, did the hospital facility charge any FAP-eligible individuals an amount equal to the gross charge for any service provided to that individual? . . . . . If "Yes," explain in Part VI		No

Part V

Facility Information (continued)

Section C. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

\_\_\_\_\_

Name and address	Type of Facility (describe)
1	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Complete this part to provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II, Part III, lines 4, 8, and 9b, Part V, Section A, and Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any needs assessments reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc )
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report
- 8
- Facility reporting group(s).** If applicable, for each hospital facility in a facility reporting group provide the descriptions required for Part V, Section B, lines 1j, 3, 4, 5c, 6i, 7, 10, 11, 12h, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22

Identifier	ReturnReference	Explanation
		PART I, LINE 6A OUR PARENT, MCLAREN HEALTH CARE CORPORATION PREPARES AN ANNUAL REPORT OF ITS MEMBER HOSPITAL THIS ANNUAL REPORT IS AVAILABLE ON OUR WEBSITE
		PART I, LINE 7, COLUMN (F) THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25, COLUMN (A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS \$ 25167051

Identifier	ReturnReference	Explanation
		PART II COMMUNITY-BUILDING ACTIVITIES ARE DESIGNED AND IMPLEMENTED BASED ON COMMUNITY NEEDS ASSESSMENTS AND INPUT FROM COMMUNITY-BASED ORGANIZATIONS AND OTHER COMMUNITY STAKEHOLDERS, INCLUDING BUSINESS VENDORS, RELIGIOUS ORGANIZATIONS AND POLITICAL LEADERS EACH ORGANIZATION DEFINES ANNUAL COMMUNITY-BUILDING AND OUTREACH ACTIVITY PLANS THESE PLANS ARE DESIGNED TO ADDRESS THE SPECIFIC HEALTH PREVENTION, EDUCATION, DIAGNOSIS, TREATMENT AND FOLLOW-UP CARE REQUIREMENTS OF UNIQUE DISEASE, DEMOGRAPHIC AND GEOGRAPHIC COMMUNITIES IDENTIFIED BY ONGOING NEEDS ASSESSMENTS DESCRIBED ABOVE
		PART III, LINE 4 ACCOUNTS RECEIVABLE ARE REDUCED BY AN ALLOWANCE FOR DOUBTFUL ACCOUNTS IN EVALUATING THE COLLECTIBILITY OF ACCOUNTS RECEIVABLE, THE CORPORATION ANALYZES ITS PAST HISTORY AND IDENTIFIES TRENDS FOR EACH OF ITS MAJOR PAYOR SOURCES OF REVENUE TO ESTIMATE THE APPROPRIATE ALLOWANCE FOR DOUBTFUL ACCOUNTS AND PROVISION FOR BAD DEBTS MANAGEMENT REGULARLY REVIEWS DATA ABOUT THESE MAJOR PAYOR SOURCES OF REVENUE IN EVALUATING THE SUFFICIENCY OF THE ALLOWANCE FOR DOUBTFUL ACCOUNTS FOR RECEIVABLES ASSOCIATED WITH SERVICES PROVIDED TO PATIENTS WHO HAVE THIRD-PARTY COVERAGE, THE CORPORATION ANALYZES CONTRACTUALLY DUE AMOUNTS AND PROVIDES AN ALLOWANCE FOR DOUBTFUL ACCOUNTS AND A PROVISION FOR BAD DEBTS, IF NECESSARY (FOR EXAMPLE, FOR EXPECTED UNCOLLECTIBLE DEDUCTIBLES AND COPAYMENTS ON ACCOUNTS FOR WHICH THE THIRD-PARTY PAYOR HAS NOT YET PAID, OR FOR PAYORS WHO ARE KNOWN TO BE HAVING FINANCIAL DIFFICULTIES THAT MAKE THE REALIZATION OF AMOUNTS DUE UNLIKELY) FOR RECEIVABLES ASSOCIATED WITH SELF-PAY PATIENTS (WHICH INCLUDES BOTH PATIENTS WITHOUT INSURANCE AND PATIENTS WITH DEDUCTIBLE AND COPAYMENT BALANCES DUE FOR WHICH THIRD-PARTY COVERAGE EXISTS FOR PART OF THE BILL), THE CORPORATION RECORDS A SIGNIFICANT PROVISION FOR BAD DEBTS IN THE PERIOD OF SERVICE ON THE BASIS OF ITS PAST EXPERIENCE, WHICH INDICATES THAT MANY PATIENTS ARE UNABLE OR UNWILLING TO PAY THE PORTION OF THEIR BILL FOR WHICH THEY ARE FINANCIALLY RESPONSIBLE THE DIFFERENCE BETWEEN THE STANDARD RATES (OR THE DISCOUNTED RATES, IF NEGOTIATED) AND THE AMOUNTS ACTUALLY COLLECTED AFTER ALL REASONABLE COLLECTION EFFORTS HAVE BEEN EXHAUSTED IS CHARGED OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE BASED ON MANAGEMENT'S EXPERIENCE, 40% WAS USED TO ESTIMATE THE AMOUNT OF THE ORGANIZATION'S BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENT'S ELIGIBLE UNDER THE ORGANIZATION'S FINANCIAL ASSISTANCE POLICY

Identifier	ReturnReference	Explanation
N/A		PART V, SECTION B, LINE 3 IDENTIFICATION OF RISKS LED BY PRINCIPAL PARTNER THE GREATER FLINT HEALTH COALITION AND INCLUDING THREE OTHER PRINCIPAL PARTNERS, GENESYS HEALTH SYSTEM, HURLEY MEDICAL CENTER, AND MCLAREN-FLINT (THE THREE MAJOR HEALTH SYSTEM FACILITIES IN THE AREA) THE ASSESSMENT INVOLVED OTHER PERSONS AND ORGANIZATIONS IN THE COMMUNITY WITH EXPERTISE IN PUBLIC HEALTH, GOVERNMENT HEALTH, LEADERS, REPRESENTATIVES AND MEMBERS OF THE MEDICALLY UNDERSERVED, LOW INCOME AND MINORITY POPULATIONS
N/A		PART V, SECTION B, LINE 4 GENESYS HEALTH SYSTEM AND HURLEY MEDICAL CENTER

Identifier	ReturnReference	Explanation
N/A		PART V, SECTION B, LINE 5C THE COMMUNITY HEALTH NEEDS ASSESSMENT AND IMPLEMENTATION PLAN CAN BE FOUND ON THE ORGANIZATIONS WEBSITE AT <a href="http://www.mclaren.org/uploads/public/documents/flint/documents/news/chnaplan513.pdf">HTTP //WWW MCLAREN ORG/UPLOADS/PUBLIC/DOCUMENTS/FLINT/DOCUMENTS/NEWS/CHNAPLAN513 PDF</a>
N/A		PART V, SECTION B, LINE 7 THE ASSESSMENT IDENTIFIED THE MAJOR FACTORS AFFECTING THE HEALTH OF THE COMMUNITY WHICH ARE ACCESS, HEALTH STATUS, COST, INFANT MORTALITY, AND SOCIAL DETERMINANTS AND THE SIX MAJOR FOCUS AREAS AS EFFECTIVE CARE DELIVERY FOR AGING POPULATION, INFANT & CHILD HEALTH IMPROVEMENT, PHYSICAL ENVIRONMENT- NEIGHBORHOOD SAFETY-& TRANSPORTATION, TOBACCO FREE LIVING, PHYSICAL ACTIVITY & ACTIVE LIVING, AND NUTRITION & DIET SOME OF THE NEEDS IDENTIFIED ARE NOT BEING ADDRESSED DUE TO LACK OF RESOURCES AT THIS TIME

Identifier	ReturnReference	Explanation
		PART VI, LINE 2 PRIMARY AND SECONDARY MARKET RESEARCH IS CONDUCTED BY AND THROUGH COMMUNITY-BASED HEALTH COALITIONS, ACADEMIC INSTITUTIONS, THIRD PARTY DATA ANALYTICS ORGANIZATIONS, HEALTH NEEDS ASSESSMENTS AND SURVEYS, HISTORIC HEALTH SERVICES UTILIZATION PATTERNS, DEMOGRAPHIC ANALYSIS AND POPULATION-BASED HEALTH CARE SERVICES UTILIZATION FORECASTS
		PART VI, LINE 3 AVAILABILITY OF FINANCIAL ASSISTANCE INFORMATION AND EDUCATION IS PROVIDED AT ALL INPATIENT AND OUTPATIENT REGISTRATION POINTS-OF-SERVICE INFORMATION AND EDUCATION IS ALSO AVAILABLE THROUGH THE ORGANIZATIONS WEBSITE(S) FINANCIAL AND APPLICATION FORMS ARE AVAILABLE AT ALL INPATIENT AND OUTPATIENT POINTS-OF-SERVICE, INCLUDING PROVIDING ASSISTANCE IN COMPLETING THE APPLICATION ORGANIZATION AND ITS SUBSIDIARIES/AFFILIATES ALSO PROVIDE SPECIALLY-TRAINED COUNSELORS TO ASSIST PATIENTS AND REVIEW ELIGIBILITY FOR FEDERAL, STATE AND OTHER GOVERNMENT PROGRAMS, INCLUDING, BUT NOT LIMITED TO, MEDICAID, DISABILITY, SOCIAL SECURITY, AND ANY OTHER FORMS OF THIRD PARTY PAYMENT

Identifier	ReturnReference	Explanation
		<p>PART VI, LINE 4 THE SERVICE AREA OF MCLAREN REGIONAL MEDICAL CENTER IS COMPOSED OF 32 ZIP CODES AND IS CENTERED PRINCIPALLY ON THE CITY OF FLINT, MI IN THE COUNTY OF GENESEE THE PRIMARY SERVICE AREA, ACCOUNTING FOR 93% OF ANNUAL INPATIENT DISCHARGES, IS COMPOSED OF 21 ZIP CODES AND CAN BE CHARACTERIZED AS LARGELY URBAN IN NATURE THE SECONDARY SERVICE AREA, ACCOUNTING FOR 7% OF ANNUAL INPATIENT DISCHARGES, IS COMPOSED OF 11 ZIP CODES AND CAN BE CHARACTERIZED AS LARGELY URBAN IN NATURE</p> <p>PRIMARY SERVICE AREA DEMOGRAPHIC DISTRIBUTIONSAGE DISTRIBUTION0 - 14 19 4%15 - 17 4 4%18 - 24 9 5%25 - 34 11 6%35 - 54 26 4%55 - 64 13 5%65+ 15 2%EDUCATION LEVELLESS THAN HIGH SCHOOL 2 8%SOME HIGH SCHOOL 8 3%HIGH SCHOOL DEGREE 34 0%SOME COLLEGE/ASSOC DEGREE 36 5%BACHELORS DEGREE OR GREATER 18 5%HOUSEHOLD INCOME DISTRIBUTION&lt;\$15K 17 9%\$15 - 25K 13 0%\$25 - 50K 27 6%\$50 - 75K 18 5%\$75 - 100K 10 4%OVER \$100K 12 6%RACE/ETHNICITYWHITE NON-HISPANIC 72 6%BLACK NON-HISPANIC 20 1%HISPANIC 3 4%ASIAN &amp; PACIFIC IS NON-HISPANIC 0 9%ALL OTHERS 3 0%</p>
		<p>PART VI, LINE 5 THE PARENT ORGANIZATION AND EACH OF ITS SUBSIDIARY/AFFILIATE MEMBERS MAINTAIN A LOCAL COMMUNITY-BASED BOARD WITH POWERS, RESPONSIBILITIES AND ACCOUNTABILITIES FOR THE OVERSIGHT OF THE OPERATION OF THEIR RESPECTIVE ORGANIZATIONS EACH SUBSIDIARY/AFFILIATE ORGANIZATION MAINTAINS AN OPEN MEDICAL STAFF ALLOWING ANY PHYSICIAN OR OTHER CARE PROVIDER WITH PROPER CREDENTIALS TO JOIN THE STAFF AND PROVIDE APPROVED CARE THE ORGANIZATION FUNDS AND MAINTAINS OVER 500 MEDICAL RESIDENCY AND FELLOWSHIP PROGRAMS TO TRAIN FUTURE GENERATIONS OF PHYSICIANS, ORGANIZATION FUNDS, OPERATES AND MAINTAINS NUMEROUS HEALTH CARE EDUCATION PROGRAMS AT THE HIGH SCHOOL, COMMUNITY COLLEGE, UNIVERSITY AND POST-GRADUATE LEVELS OF EDUCATION ORGANIZATION PROVIDES SPONSORSHIP (FINANCIAL AND IN-KIND RESOURCES) SUPPORT TO COMMUNITY-LEVEL ACTIVITIES (HEALTH WALKS AND RACES, FITNESS TRAINING, DISEASE AWARENESS EVENTS, CULTURAL EVENTS AND OTHER HEALTH-RELATED NON-PROFIT ACTIVITIES, EVENTS AND ORGANIZATIONS) ORGANIZATION ALSO DIRECTS, FUNDS, SUPPORTS AND PARTICIPATES IN FUNDRAISING ACTIVITIES THAT SUPPORT HEALTH PREVENTION/EDUCATION, DIAGNOSIS AND TREATMENT PROVIDED BY OTHER NON-PROFIT COMMUNITY ORGANIZATIONS</p>



Identifier	ReturnReference	Explanation
		PART VI, LINE 6 THE ROLE OF THE PARENT ORGANIZATION IS TO SET THE VISION AND STRATEGIC DIRECTION FOR THE ORGANIZATION AS A WHOLE THIS INCLUDES THE DEVELOPMENT OF THE ANNUAL STRATEGIC PLAN WHICH DEFINES THE STRATEGIC PRIORITIES FOR THE ORGANIZATION AND ITS MEMBERS, THE METRICS TO BE MEASURED FOR EACH STRATEGIC PROGRAMS AND THE BENCHMARK OR TARGET/GOALS FOR EACH METRIC STRATEGIC PRIORITIES DIRECTLY ADDRESS AND MEASURE (AT A SUBSIDIARY LEVEL) CLINICAL QUALITY AND CLINICAL OUTCOMES, PATIENT, PHYSICIAN, EMPLOYEE AND COMMUNITY SATISFACTION WITH THE ORGANIZATION AND ITS SUBSIDIARY/AFFILIATE MEMBERS, AND DEVELOPMENT OF NEW SERVICES TO IMPROVE ACCESS TO, QUALITY OF, AND COST OF HEALTH SERVICES THE ROLE OF THE ORGANIZATION'S SUBSIDIARIES/AFFILIATES IS THE DEVELOPMENT AND IMPLEMENTATION OF ANNUAL STRATEGIC AND OPERATIONAL PLANS THAT SUPPORT AND ADVANCE THE STRATEGIC PLAN OF THE PARENT ORGANIZATION ALL LOCAL PLANS ARE DEVELOPED AND DESIGNED TO REFLECT THE UNIQUE POPULATION-BASED HEALTH CARE NEEDS AND REQUIREMENTS OF THE COMMUNITIES SERVED BY THE SUBSIDIARY/AFFILIATE ORGANIZATION ALL LOCAL SUBSIDIARIES/AFFILIATES HAVE FULL AUTHORITY AND DECISION-MAKING POWERS TO DEFINE AND EXECUTE THE STRATEGIC AND OPERATIONAL PLANS INTENDED TO IMPROVE THE HEALTH AND WELFARE OF THE COMMUNITIES THEY SERVE
REPORTS FILED WITH STATES	PART VI, LINE 7	MI

## Grants and Other Assistance to Organizations, Governments and Individuals in the United States

# 2012

## Open to Public Inspection

Name of the organization  
MCLAREN REGIONAL MEDICAL CENTER

**Employer identification number**  
38-2383119

## Part I General Information on Grants and Assistance

1 Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? . . . . . ☒ Yes ☐ No

2 Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

**Part II** **Grants and Other Assistance to Governments and Organizations in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

[illegible]

<b>2</b>	Enter total number of section 501(c)(3) and government organizations listed in the line 1 table . . . . .	2
<b>3</b>	Enter total number of other organizations listed in the line 1 table . . . . .	

**Part III**

**Grants and Other Assistance to Individuals in the United States.** Complete if the organization answered "Yes" to Form 990, Part IV, line 22.  
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance

**Part IV**

**Supplemental Information.**

Complete this part to provide the information required in Part I, line 2, Part III, column (b), and any other additional information

Identifier	Return Reference	Explanation
PROCEDURE FOR MONITORING GRANTS IN THE U S	PART I, LINE 2	SCHEDULE I, PART I, LINE 2 GRANTS ARE PROVIDED TO RELATED ORGANIZATIONS THAT SUPPORT THE MISSION OF MCLAREN REGIONAL MEDICAL CENTER

Schedule J (Form 990)  <div>Department of the Treasury Internal Revenue Service</div>	Compensation Information  For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees  ▶ <b>Complete if the organization answered "Yes" to Form 990, Part IV, question 23.</b>  ▶ <b>Attach to Form 990. ▶ See separate instructions.</b>	OMB No 1545-0047
		2012
		Open to Public Inspection

Name of the organization MCLAREN REGIONAL MEDICAL CENTER	Employer identification number  38-2383119
---	--

Part I	Questions Regarding Compensation		Yes	No
1a	Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items			
	<input type="checkbox"/> First-class or charter travel	<input type="checkbox"/> Housing allowance or residence for personal use		
	<input type="checkbox"/> Travel for companions	<input type="checkbox"/> Payments for business use of personal residence		
	<input type="checkbox"/> Tax idemnification and gross-up payments	<input type="checkbox"/> Health or social club dues or initiation fees		
	<input type="checkbox"/> Discretionary spending account	<input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)		
1b	If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain			
2	Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all officers, directors, trustees, and the CEO/Executive Director, regarding the items checked in line 1a?			
3	Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III			
	<input type="checkbox"/> Compensation committee	<input type="checkbox"/> Written employment contract		
	<input type="checkbox"/> Independent compensation consultant	<input type="checkbox"/> Compensation survey or study		
	<input type="checkbox"/> Form 990 of other organizations	<input type="checkbox"/> Approval by the board or compensation committee		
4	During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization			
4a	Receive a severance payment or change-of-control payment?			No
4b	Participate in, or receive payment from, a supplemental nonqualified retirement plan?	Yes		
4c	Participate in, or receive payment from, an equity-based compensation arrangement?			No
	If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III			
	<b>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</b>			
5	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of			
5a	The organization?			No
5b	Any related organization?			No
	If "Yes," to line 5a or 5b, describe in Part III			
6	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of			
6a	The organization?			No
6b	Any related organization?			No
	If "Yes," to line 6a or 6b, describe in Part III			
7	For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III			No
8	Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53.4958-4(a)(3)? If "Yes," describe in Part III			No
9	If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53.4958-6(c)?			

**Part II Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

**Note.** The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
(1)DAVID MAZURKIEWICZ TREASURER	(i)	0	0	0	0	0	0	0
	(ii)	613,737	467,008	149,648	12,250	12,150	1,254,793	0
(2)DON KOOY PRESIDENT & CEO	(i)	0	0	0	0	0	0	0
	(ii)	555,947	419,959	490,412	314,916	12,660	1,793,894	0
(3)PHILIP INCARNATI DIRECTOR	(i)	0	0	0	0	0	0	0
	(ii)	1,419,750	2,813,143	2,453,993	2,124,184	12,871	8,823,941	0
(4)RICK WYLES CFO	(i)	217,089	49,933	0	27,134	14,500	308,656	0
	(ii)	0	0	0	0	0	0	0
(5)AHMED HAMODA PHYSICIAN HOSPITALIST	(i)	300,300	0	0	12,500	12,000	324,800	0
	(ii)	0	0	0	0	0	0	0
(6)JOSEPH ARCIDI PHYSICIAN FACULTY	(i)	491,915	50,625	0	4,085	12,000	558,625	0
	(ii)	0	0	0	0	0	0	0
(7)PRAJESH PATEL PHYSICIAN HOSPITALIST	(i)	320,803	0	0	12,500	12,000	345,303	0
	(ii)	0	0	0	0	0	0	0
(8)PAUL LAZAR PHYSICIAN	(i)	280,787	36,271	0	5,153	12,000	334,211	0
	(ii)	0	0	0	0	0	0	0
(9)CARLOS PETROZZI PHYSICIAN	(i)	310,523	0	0	25,581	12,000	348,104	0
	(ii)	0	0	0	0	0	0	0

Part III Supplemental Information

Complete this part to provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Identifier	Return Reference	Explanation
	PART I, LINE 1A	THE CEO/EXECUTIVE DIRECTOR WAS COMPENSATED BY A RELATED ORGANIZATION, AND THEREFORE NONE OF THE LINE 1 BOXES HAVE BEEN CHECKED. THE CORPORATE CEO, SUBSIDIARY CEO'S AND CORPORATE VICE-PRESIDENTS IN SOME INSTANCES HAVE RECEIVED TAX INDEMNIFICATION FOR THE FOLLOWING BENEFITS: VEHICLE COSTS, GROUP TERM LIFE INSURANCE, SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS, AND HEALTH CLUB OR SOCIAL DUES. THESE BENEFITS HAVE BEEN INCLUDED IN TAXABLE COMPENSATION. THE FOLLOWING INDIVIDUALS LISTED IN PART VII HAVE RECEIVED THESE BENEFITS: PHILIP INCARNATI AND DAVID MAZURKIEWICZ.
	PART I, LINE 4B	MCLAREN MAINTAINS TWO SUPPLEMENTAL NONQUALIFIED RETIREMENT PLANS FOR A SELECT GROUP OF MANAGEMENT OR HIGHLY COMPENSATED EMPLOYEES (THE "SERPS"). THE OLD SERP WAS CLOSED TO NEW PARTICIPANTS ON OCTOBER 1, 2006, AND THE NEW SERP BECAME EFFECTIVE AS OF JANUARY 1, 2007. NO EMPLOYEE MAY PARTICIPATE IN BOTH OF THE SERPS. THE OLD SERP IS STRUCTURED AS A DEFINED BENEFIT PLAN THAT ESSENTIALLY REPLACES THE BENEFITS THE PARTICIPANT IS NOT PERMITTED TO RECEIVE UNDER MCLAREN'S QUALIFIED RETIREMENT PLAN DUE TO IRS LIMITATIONS APPLICABLE TO QUALIFIED PLANS. THE BENEFIT UNDER THE OLD SERP IS PAYABLE AS EITHER A LUMP SUM DISTRIBUTION OR MONTHLY PAYMENTS EQUAL TO THE ACTUARIAL EQUIVALENT OF THE PARTICIPANT'S ACCRUED BENEFIT. THE BENEFIT IS PAID AT AGE 55, AND IF THE PARTICIPANT REMAINS EMPLOYED, THE BENEFIT IS PAID UPON TERMINATION OF EMPLOYMENT, REDUCED TO TAKE INTO ACCOUNT THE BENEFIT PREVIOUSLY PAID. THE NEW SERP IS STRUCTURED AS A DEFINED CONTRIBUTION PLAN, AND MCLAREN CONTRIBUTES 15 PERCENT OF EACH PARTICIPANT'S COMPENSATION TO THE PLAN EACH YEAR FOR ALLOCATION TO THE PARTICIPANT'S ACCOUNT. PARTICIPANTS IN THE NEW SERP BECOME VESTED IN THEIR ACCOUNTS UPON THE EARLIER OF FIVE YEARS OF PARTICIPATION IN THE PLAN OR ATTAINMENT OF AGE 60. PARTICIPANTS IN THE NEW SERP SELF-DIRECT THE INVESTMENT OF THEIR ACCOUNTS AND HAVE THE ACTUAL INVESTMENT RETURN CREDITED OR DEBITED TO THEIR ACCOUNTS. THE BENEFIT UNDER THE NEW SERP IS EQUAL TO THE PARTICIPANT'S ACCOUNT BALANCE, AND THE BENEFIT IS PAID IN A SINGLE SUM WITHIN 60 DAYS OF THE PARTICIPANT'S TERMINATION DATE. BENEFITS UNDER BOTH SERPS ARE PROVIDED ON A TAX-NEUTRAL BASIS. BOTH SERPS ARE DESIGNED TO COMPLY WITH INTERNAL REVENUE CODE SECTIONS 457(F) AND 409A. THE INDIVIDUALS LISTED IN PART VII WHO PARTICIPATED IN THE OLD SERP ARE PHILIP INCARNATI AND DON KOOY. THE INDIVIDUALS LISTED IN PART VII WHO PARTICIPATED IN THE NEW SERP ARE DAVID MAZURKIEWICZ AND DON KOOY.
	PART I, LINE 6	MCLAREN HEALTH CARE CORPORATION (MHCC) HAS AN INCENTIVE PROGRAM FOR LEADERS OF THE CORPORATION, SUBSIDIARY EXECUTIVES AND DIRECTORS, AND CORPORATE MANAGERS. THE PROGRAM IS COMPRISED OF QUALITY, OPERATIONAL AND FINANCIAL GOALS. THE PURPOSE OF THE PLAN IS TO ENHANCE THE ORGANIZATION'S ABILITY TO ACHIEVE ITS GOALS BY PROVIDING TOP OFFICIALS AND THE BOARD OF DIRECTORS WITH A TOOL FOR (A) CLEARLY COMMUNICATING PERFORMANCE ON THE PART OF KEY LEADERS, (B) STIMULATING AND REWARDING SUPERIOR LEVELS OF PERFORMANCE ON THE PART OF KEY LEADERS WHICH WILL ULTIMATELY BENEFIT THE COMMUNITIES MHCC SERVES, AND (C) PROTECTING MHCC'S ABILITY TO COMPETE WITH OTHER EMPLOYERS FOR HIGH-TALENT LEADERS.
SUPPLEMENTAL INFORMATION	PART III	SCHEDULE J, PART I, LINE 3: THE CEO/EXECUTIVE DIRECTOR WAS COMPENSATED BY A RELATED ORGANIZATION, AND THEREFORE NONE OF THE LINE 3 BOXES HAVE BEEN CHECKED. THE RELATED ORGANIZATION USED THE FOLLOWING METHODOLOGIES TO ESTABLISH THE COMPENSATION OF THE CEO/EXECUTIVE DIRECTOR OF THE FILING ORGANIZATION: COMPENSATION COMMITTEE, INDEPENDENT COMPENSATION CONSULTANT, FORM 990 OF OTHER ORGANIZATIONS, WRITTEN EMPLOYMENT CONTRACT, COMPENSATION SURVEY OR STUDY, AND APPROVAL BY THE BOARD OR COMPENSATION COMMITTEE.

Software ID:  
Software Version:  
EIN: 38-2383119  
Name: MCLAREN REGIONAL MEDICAL CENTER

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
DAVID MAZURKIEWICZ	(i)	0	0	0	0	0	0	0
	(ii)	613,737	467,008	149,648	12,250	12,150	1,254,793	0
DON KOOY	(i)	0	0	0	0	0	0	0
	(ii)	555,947	419,959	490,412	314,916	12,660	1,793,894	0
PHILIP INCARNATI	(i)	0	0	0	0	0	0	0
	(ii)	1,419,750	2,813,143	2,453,993	2,124,184	12,871	8,823,941	0
RICK WYLES	(i)	217,089	49,933	0	27,134	14,500	308,656	0
	(ii)	0	0	0	0	0	0	0
AHMED HAMODA	(i)	300,300	0	0	12,500	12,000	324,800	0
	(ii)	0	0	0	0	0	0	0
JOSEPH ARCIDI	(i)	491,915	50,625	0	4,085	12,000	558,625	0
	(ii)	0	0	0	0	0	0	0
PRAJESH PATEL	(i)	320,803	0	0	12,500	12,000	345,303	0
	(ii)	0	0	0	0	0	0	0
PAUL LAZAR	(i)	280,787	36,271	0	5,153	12,000	334,211	0
	(ii)	0	0	0	0	0	0	0
CARLOS PETROZZI	(i)	310,523	0	0	25,581	12,000	348,104	0
	(ii)	0	0	0	0	0	0	0

Schedule L  
(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Transactions with Interested Persons

▶ Complete if the organization answered  
"Yes" on Form 990, Part IV, lines 25a, 25b, 26, 27, 28a, 28b, or 28c,  
or Form 990-EZ, Part V, line 38a or 40b.  
▶ Attach to Form 990 or Form 990-EZ. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization MCLAREN REGIONAL MEDICAL CENTER	Employer identification number  38-2383119
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Part I Excess Benefit Transactions (section 501(c)(3) and section 501(c)(4) organizations only).

Complete if the organization answered "Yes" on Form 990, Part IV, line 25a or 25b, or Form 990-EZ, Part V, line 40b

1	(a) Name of disqualified person	(b) Relationship between disqualified person and organization	(c) Description of transaction	(d) Corrected?	
				Yes	No

2 Enter the amount of tax incurred by organization managers or disqualified persons during the year under section 4958 . . . . . ▶ \$

3 Enter the amount of tax, if any, on line 2, above, reimbursed by the organization . . . . . ▶ \$

Part II Loans to and/or From Interested Persons.

Complete if the organization answered "Yes" on Form 990-EZ, Part V, line 38a, or Form 990, Part IV, line 26, or if the organization reported an amount on Form 990, Part X, line 5, 6, or 22

(a) Name of interested person	(b) Relationship with organization	(c) Purpose of loan	(d) Loan to or from the organization?		(e) Original principal amount	(f) Balance due	(g) In default?		(h) Approved by board or committee?	(i) Written agreement?	
			To	From			Yes	No		Yes	No
Total ▶ \$											

Part III Grants or Assistance Benefitting Interested Persons.

Complete if the organization answered "Yes" on Form 990, Part IV, line 27.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of assistance	(d) Type of assistance	(e) Purpose of assistance



**Part IV Business Transactions Involving Interested Persons.**

Complete if the organization answered "Yes" on Form 990, Part IV, line 28a, 28b, or 28c.

(a) Name of interested person	(b) Relationship between interested person and the organization	(c) Amount of transaction	(d) Description of transaction	(e) Sharing of organization's revenues?	
				Yes	No
(1) ANTHELIO	PHILIP INCARNATI, BOARD MEMBER AND SHAREHOLDER OF ANTHELIO	4,860,486	MHCC IS THE CO-FOUNDER AND HAS A MINORITY INTEREST IN ANTHELIO AS PART OF THE AGREEMENT MHCC IS ENTITLED TO APPOINT TWO DIRECTORS TO THE ANTHELIO BOARD MHCC APPOINTED JAMES FITZGERALD AND PHILIP INCARNATI TO HOLD THOSE POSITIONS FEES PAID TO ANTHELIO FOR INFORMATION TECHNOLOGY SERVICES, MEDICAL RECORDS, TRANSCRIPTION, CODING, AND SYSTEM INSTALLATION		No
(2) PROTOM INTERNATIONAL	PHILIP INCARNATI, BOARD MEMBER OF PROTOM INTERNATIONAL	10,049,164	SERVICES AND EQUIPMENT WERE PROVIDED FOR THE PROTON BEAM PROJECT		No
(3) SORENSEN GROSS CONSTRUCTION SERVICES	GHASSAN SAAB, BOARD MEMBER OF MRMC, CEO SORENSEN GROSS	6,939,624	CONSTRUCTION SERVICES		No
(4) RELIANT RENAL CARE	PHILIP INCARNATI, DIRECTOR ON THE BOARD OF RELIANT RENAL CARE	400,000	MCLAREN REGIONAL MEDICAL CENTER PAID RELIANT RENAL CARE FOR SERVICES DURING THE CURRENT YEAR		No

**Part V Supplemental Information**

Complete this part to provide additional information for responses to questions on Schedule L (see instructions)

Identifier	Return Reference	Explanation
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SCHEDULE O

(Form 990 or 990-EZ)

Department of the Treasury  
Internal Revenue Service

Supplemental Information to Form 990 or 990-EZ

Complete to provide information for responses to specific questions on  
Form 990 or to provide any additional information.  
▶ Attach to Form 990 or 990-EZ.

OMB No 1545-0047

2012

Open to Public  
Inspection

Name of the organization MCLAREN REGIONAL MEDICAL CENTER	Employer identification number 38-2383119
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Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 2	PHILIP INCARNATI AND DONALD KOOY HAVE A BUSINESS RELATIONSHIP

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 6	THE SOLE MEMBER OF THIS ORGANIZATION IS MCLAREN HEALTH CARE CORPORATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7A	THE MEMBER SHALL HAVE THE EXCLUSIVE RIGHT TO ELECT OR APPOINT THE DIRECTORS OF THE CORPORATION

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION A, LINE 7B	DECISIONS BY THE GOVERNING BODY ARE SUBJECT TO THE POWERS OF THE MEMBER

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 11	THE FORM 990 DATA IS PREPARED INTERNALLY AND SUBMITTED TO OUR AUDITING FIRM FOR RETURN PREPARATION. ONCE THE RETURNS HAVE BEEN COMPLETED, THE FORMS ARE REVIEWED BY THE CORPORATE DIRECTOR OF BUDGET, THE CORPORATE SENIOR VICE PRESIDENT AND CFO OF MCLAREN HEALTH CARE CORPORATION (MHCC). COPIES OF THE RETURNS ARE MADE AVAILABLE TO THE MHCC BOARD MEMBERS, WHO SERVE AS THE OVERALL GOVERNING BOARD. RETURNS ARE AVAILABLE FOR ALL CORPORATIONS OF WHICH MHCC IS THE SOLE MEMBER AS WELL AS OTHER RELATED ENTITIES OF THOSE CORPORATIONS FOR REVIEW RATHER THAN HAVING THE LOCAL BOARDS REVIEW THE RETURNS. THE BOARD OF MHCC IS THE ULTIMATE ACCOUNTABLE ORGANIZATION FOR THE SYSTEM, AS SUCH IT IS THE OVERALL GOVERNING BOARD OF OUR SYSTEM WHOSE RESPONSIBILITIES INCLUDES BUT ARE NOT LIMITED TO: APPROVING ALL SUBSIDIARY BOARD MEMBERS, FINANCIAL BUDGETS, AND ISSUANCE OF DEBT.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 12C	THE CORPORATE COMPLIANCE DEPARTMENT, IN ACCORDANCE WITH THE MCLAREN HEALTH CARE (MHC) BOARD CONFLICT OF INTEREST POLICY, ANNUALLY DISTRIBUTES THE CONFLICT OF INTEREST DISCLOSURE SURVEY TO ALL MHC CORPORATE AND SUBSIDIARY ORGANIZATION BOARD MEMBERS, EXECUTIVES AND OTHER LEADERSHIP EMPLOYEES. THE CORPORATE COMPLIANCE DEPARTMENT, THROUGH THE GOVERNANCE COMMITTEE, COMPILES AND ANALYZES SURVEY DATA BY ORGANIZATION, INVESTIGATES, AND REVIEWS POTENTIAL CONFLICTS WITH THE ORGANIZATION'S CEO AND BOARD CHAIR, AND WHEN NECESSARY, RECOMMENDS ACTIONS TO BE TAKEN TO RESOLVE IDENTIFIED CONFLICTS. A COMPLETE REPORT OF ALL CORPORATE AND SUBSIDIARY BOARD MEMBER AND EXECUTIVE DISCLOSURES, CONFLICTS IDENTIFIED AND ACTIONS TAKEN IS REVIEWED BY THE MHC GOVERNANCE COMMITTEE AND EACH SUBSIDIARY. CEO AND BOARD CHAIR RECEIVES A REPORT SPECIFIC TO THEIR ORGANIZATION'S BOARD MEMBERS AND EXECUTIVES. CONFLICTS ARE DISCLOSED TO THE FULL BOARD AND BOARD COMMITTEES SO APPROPRIATE ACTIONS CAN BE TAKEN. ACTIONS MAY INCLUDE PROHIBITING A BOARD MEMBER FROM PARTICIPATING IN DELIBERATIONS INVOLVING TRANSACTIONS WITH A COMPANY WITH WHICH THEY CONDUCT FINANCIAL TRANSACTIONS, BOARD MEMBERS FAILING TO COMPLETE A DISCLOSURE SURVEY OR INTENTIONALLY FAILING TO REPORT A KNOWN CONFLICT OF INTEREST ARE ASKED TO RESIGN.

Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION B, LINE 15	<p>THE COMPENSATION OF THE CEO IS DETERMINED BY THE COMPENSATION COMMITTEE OF MCLAREN HEALTH CARE CORPORATION BASED UPON THE PERFORMANCE OF THE CEO THE COMPENSATION OF THE CEO IS WITHIN THE SALARY RANGES DETERMINED BY THE COMPENSATION COMMITTEE OF MCLAREN HEALTH CARE CORPORATION THE PROCESS OF THE COMPENSATION COMMITTEE IS AS FOLLOWS THE COMPENSATION COMMITTEE IS APPOINTED BY THE BOARD OF DIRECTORS TO REVIEW THE PERFORMANCE AND RECOMMEND THE TOTAL COMPENSATION PACKAGE OF THE CORPORATION'S CEO TO THE BOARD FURTHER THE COMMITTEE ESTABLISHES THE SALARY RANGES AND PREREQUISITES OF THE CORPORATION'S OTHER MOST HIGHLY COMPENSATED OFFICERS (MHC VICE-PRESIDENTS AND MHC HOSPITAL/SUBSIDIARY CEO'S) TO THE BOARD THE MEMBERS OF THE COMMITTEE MUST MEET THE INDEPENDENCE REQUIREMENTS OF THE APPLICABLE PROVISIONS OF SECTION 4958 OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED AND FINAL TREASURY REGULATIONS SECTION 53.4956-6(C)(1)(III) THE COMMITTEE RETAINS THE SERVICES OF AN INDEPENDENT FIRM WITH SIGNIFICANT QUALIFICATIONS AND EXPERIENCE TO CONDUCT A REVIEW OF THE CORPORATION'S EXECUTIVE COMPENSATION PROGRAM THE RETAINED FIRM UTILIZES APPROPRIATE COMPENSATION COMPARABILITY DATA THE RETAINED FIRM CONDUCTS ANALYSIS OF THE COMPETITIVENESS OF THESE PROGRAMS AND EXPRESSES AN OPINION AS TO THE REASONABLENESS OF THESE COMPENSATION PROGRAMS ALL DATA UTILIZED BY THE COMMITTEE, DELIBERATIONS OF THE COMMITTEE, AND FINAL COMPENSATION DECISIONS BY THE COMMITTEE ARE DOCUMENTED IN FORMAL REPORTS AND MINUTES THE CORPORATE COMPENSATION COMMITTEE WORKS UNDER AND ANNUALLY REVIEWS THE MCLAREN HEALTH CARE CORPORATION COMPENSATION COMMITTEE CHARTER AND MCLAREN HEALTH CARE CORPORATION COMPENSATION PHILOSOPHY THE MOST RECENT TIME THIS PROCESS WAS UNDERTAKEN WAS IN 2013</p>



Identifier	Return Reference	Explanation
	FORM 990, PART VI, SECTION C, LINE 19	DOCUMENTS ARE AVAILABLE UPON REQUEST

Identifier	Return Reference	Explanation
OTHER FEES	FORM 990, PART IX, LINE 11G	COLLECTION AGENCY FEES PROGRAM SERVICE EXPENSES 0 MANAGEMENT AND GENERAL EXPENSES 1,290,265 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 1,290,265 OTHER PROFESSIONAL FEES PROGRAM SERVICE EXPENSES 31,954,103 MANAGEMENT AND GENERAL EXPENSES 23,632,515 FUNDRAISING EXPENSES 0 TOTAL EXPENSES 55,586,618

Identifier	Return Reference	Explanation
CHANGES IN NET ASSETS OR FUND BALANCES	FORM 990, PART XI, LINE 9	MIMIMUM PENSION LIABILITY ADJUSTMENT 66,078,764 TRANSFER FROM RESTRICTIONS 220,680 CHANGE IN RESTRICTED FUNDS 70,415 UNREALIZED GAIN/LOSS ON INVESTMENT IN SUB -492,331

Identifier	Return Reference	Explanation
	FORM 990, PART XI, LINE 2C	THE PROCESS HAS NOT CHANGED FROM THE PRIOR YEAR

SCHEDULE R  
(Form 990)

Department of the Treasury  
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 33, 34, 35, 36, or 37.  
▶ Attach to Form 990. ▶ See separate instructions.

OMB No 1545-0047

2012

Open to Public Inspection

Name of the organization  
MCLAREN REGIONAL MEDICAL CENTER

Employer identification number  
38-2383119

Part I Identification of Disregarded Entities (Complete if the organization answered "Yes" to Form 990, Part IV, line 33.)					
(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity

Part II Identification of Related Tax-Exempt Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.)							
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
See Additional Data Table							

Part III

Identification of Related Organizations Taxable as a Partnership

(Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproprtionate allocations?		(i) Code V—UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) MCLAREN - NORTHERN EQUITIES CANCER CENTER PROJECT LLC  39000 COUNTRY CLUB DRIVE FARMINGTON HILLS, MI 48331 26-3112935	RENTAL REAL ESTATE	MI	N/A									
(2) MOUNT CLEMENS REGIONAL HEALTH BUILDING HEALTH PARTNERS  1000 HARRINGTON ST MOUNT CLEMENS, MI 48043 26-2524717	BUILDING MANAGEMENT	MI	N/A									

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

(Complete if the organization answered "Yes" to Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.)

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) HEALTH ADVANTAGE INC  G3245 BEECHER ROAD FLINT, MI 48532 91-2141720	HEALTH CARE SERVICES	MI	N/A	C					No
(2) CLARKSTON PROPERTY ASSOCIATES  50 NORTH PERRY STREET PONTIAC, MI 48342 43-2006072	REAL ESTATE	MI	N/A	C					No
(3) HOSPITAL HEALTH CARE INC  50 NORTH PERRY STREET PONTIAC, MI 48342 38-2643070	HEALTH CARE	MI	N/A	C					No
(4) PHYSICIAN ORGANIZED HEALTHCARE SYSTEM  50 NORTH PERRY STREET PONTIAC, MI 48342 38-3136458	MANAGED CARE	MI	N/A	C					No
(5) MCLAREN HEALTH PLAN INSURANCE COMPANY  G-3245 BEECHER ROAD SUITE 200 FLINT, MI 48532 27-1780283	INSURANCE	MI	N/A	C					No
(6) VITALCARE HOME MEDICAL EQUIPMENT INC  761 LAFAYETTE AVENUE CHEBOYGAN, MI 49721 38-2662954	SALE AND RENTAL OF DURABLE MEDICAL EQUIPMENT	MI	N/A	C					No
(7) RAPIN & RAPIN INC DBA PRESCRIPTION SERVICES PHARMACY  416 CONNABLE AVENUE PETOSKEY, MI 49770 38-3465261	RETAIL PHARMACY	MI	N/A	C					No

Part V

Transactions With Related Organizations (Complete if the organization answered "Yes" to Form 990, Part IV, line 34, 35b, or 36.)

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

a Receipt of (i) interest (ii) annuities (iii) royalties or (iv) rent from a controlled entity

b Gift, grant, or capital contribution to related organization(s)

c Gift, grant, or capital contribution from related organization(s)

d Loans or loan guarantees to or for related organization(s)

e Loans or loan guarantees by related organization(s)

f Dividends from related organization(s)

g Sale of assets to related organization(s)

h Purchase of assets from related organization(s)

i Exchange of assets with related organization(s)

j Lease of facilities, equipment, or other assets to related organization(s)

k Lease of facilities, equipment, or other assets from related organization(s)

l Performance of services or membership or fundraising solicitations for related organization(s)

m Performance of services or membership or fundraising solicitations by related organization(s)

n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)

o Sharing of paid employees with related organization(s)

p Reimbursement paid to related organization(s) for expenses

q Reimbursement paid by related organization(s) for expenses

r Other transfer of cash or property to related organization(s)

s Other transfer of cash or property from related organization(s)

Yes

No

1a Yes

1b Yes

1c

1d

1e

1f

1g

1h

1i

1j Yes

1k

1l Yes

1m Yes

1n Yes

1o

1p Yes

1q Yes

1r

1s Yes

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of other organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
See Additional Data Table			

Schedule R (Form 990) 2012

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]



Software ID:

Software Version:

EIN: 38-2383119

Name: MCLAREN REGIONAL MEDICAL CENTER

Part VII Supplemental Information

Complete this part to provide additional information for responses to questions on Schedule R (see instructions)

Identifier	Return Reference	Explanation							
Form 990, Schedule R, Part IV - Identification of Related Organizations Taxable as a Corporation or Trust									
(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end- of-year assets	(h) Percentage ownership	(i) Section 512(b)(13) controlled entity?	
								Yes	No
HEALTH ADVANTAGE INC  G3245 BEECHER ROAD FLINT, MI 48532 91-2141720	HEALTH CARE SERVICES	MI	N/A	C					No
CLARKSTON PROPERTY ASSOCIATES  50 NORTH PERRY STREET PONTIAC, MI 48342 43-2006072	REAL ESTATE	MI	N/A	C					No
HOSPITAL HEALTH CARE INC  50 NORTH PERRY STREET PONTIAC, MI 48342 38-2643070	HEALTH CARE	MI	N/A	C					No
PHYSICIAN ORGANIZED HEALTHCARE SYSTEM  50 NORTH PERRY STREET PONTIAC, MI 48342 38-3136458	MANAGED CARE	MI	N/A	C					No
MCLAREN HEALTH PLAN INSURANCE COMPANY  G-3245 BEECHER ROAD SUITE 200 FLINT, MI 48532 27-1780283	INSURANCE	MI	N/A	C					No
VITALCARE HOME MEDICAL EQUIPMENT INC  761 LAFAYETTE AVENUE CHEBOYGAN, MI 49721 38-2662954	SALE AND RENTAL OF DURABLE MEDICAL EQUIPMENT	MI	N/A	C					No
RAPIN & RAPIN INC DBA PRESCRIPTION SERVICES PHARMACY  416 CONNABLE AVENUE PETOSKEY, MI 49770 38-3465261	RETAIL PHARMACY	MI	N/A	C					No

--> **Form 990, Schedule R, Part V - Transactions With Related Organizations**

(a) Name of other organization	(b) Transaction type(a-s)	(c) Amount Involved	(d) Method of determining amount involved
MCLAREN HEALTH CARE CORPORATION	M	22,708,368	ALLOCATION OF ACTUAL COST
MCLAREN HEALTH CARE CORPORATION	J	560,000	ALLOCATION OF ACTUAL COST
MCLAREN HEALTH CARE CORPORATION	B	1,905,376	ALLOCATION OF ACTUAL COST
MCLAREN HEALTH CARE CORPORATION	J	594,747	ALLOCATION OF ACTUAL COST
MCLAREN HEALTH CARE CORPORATION	O	1,563,124	ALLOCATION OF ACTUAL COST
MCLAREN HEALTH CARE CORPORATION	Q	75,811,354	ALLOCATION OF ACTUAL COST
GREAT LAKES CANCER INSTITUTE	Q	815,883	ALLOCATION OF ACTUAL COST
VISITING NURSE SERVICE OF MICHIGAN	Q	54,873,338	ALLOCATION OF ACTUAL COST
VISITING NURSE SERVICE OF MICHIGAN	P	4,840,864	ALLOCATION OF ACTUAL COST
MCLAREN HOSPITALITY HOUSE	B	8,624,975	CASH
POH REGIONAL MEDICAL CENTER	O	102,418	ALLOCATION OF ACTUAL COST
POH REGIONAL MEDICAL CENTER	P	115,729	ALLOCATION OF ACTUAL COST
POH REGIONAL MEDICAL CENTER	S	150,100	CASH
LAPEER REGIONAL MEDICAL CENTER	J	163,425	ALLOCATION OF ACTUAL COST
LAPEER REGIONAL MEDICAL CENTER	P	670,474	ALLOCATION OF ACTUAL COST
LAPEER REGIONAL MEDICAL CENTER	Q	3,042,294	ALLOCATION OF ACTUAL COST
MCLAREN NORTHERN MICHIGAN	P	448,684	ALLOCATION OF ACTUAL COST
MCLAREN NORTHERN MICHIGAN	Q	518,160	ALLOCATION OF ACTUAL COST
INGHAM REGIONAL MEDICAL CENTER	P	623,098	ALLOCATION OF ACTUAL COST
INGHAM REGIONAL MEDICAL CENTER	Q	132,404	ALLOCATION OF ACTUAL COST
WOMENS HOSPITAL ASSOCIATION OF FLINT MICHIGAN	C	6,865,423	CASH

# **McLaren Health Care Corporation and Subsidiaries**

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**Consolidated Financial Report  
with Additional Information  
September 30, 2013**

# **McLaren Health Care Corporation and Subsidiaries**

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## Independent Auditor's Report

To the Board of Directors  
McLaren Health Care Corporation  
and Subsidiaries

We have audited the accompanying consolidated financial statements of McLaren Health Care Corporation and Subsidiaries (the "Corporation"), which comprise the consolidated balance sheet as of September 30, 2013 and 2012 and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

Management is responsible for the preparation and fair presentation of these consolidated 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 consolidated 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 consolidated 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.

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

To the Board of Directors  
McLaren Health Care Corporation  
and Subsidiaries

**Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of McLaren Health Care Corporation and Subsidiaries as of September 30, 2013 and 2012 and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As described in Note 1 to the consolidated financial statements, McLaren Health Care Corporation and Subsidiaries adopted the provisions of Accounting Standards Update 2011-07, *Health Care Entities (Topic 954) Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and Allowance for Doubtful Accounts for Certain Health Care Entities*, during 2013. Our opinion is not modified with respect to this matter.

*Plante & Moran, PLLC*

January 8, 2014

# McLaren Health Care Corporation and Subsidiaries

## Consolidated Balance Sheet (in thousands)

	September 30, 2013	September 30, 2012
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 261,374	\$ 275,041
Collateral from securities lending (Note 6)	3,648	16,173
Accounts receivable (Note 2)	220,135	249,959
Cost report settlements receivable (Note 3)	1,555	4,276
Assets limited as to use for payment of current liabilities (Note 6)	3,329	4,097
Other current assets	73,041	50,239
Total current assets	563,082	599,785
<b>Property and Equipment - Net (Note 5)</b>	866,203	864,632
<b>Other Assets (Note 6)</b>	1,076,637	936,045
Total assets	<b>\$ 2,505,922</b>	<b>\$ 2,400,462</b>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Current portion of long-term debt (Note 8)	\$ 15,470	\$ 17,064
Notes payable (Note 9)	4,668	9,902
Accounts payable	176,496	173,926
Cost report settlements payable (Note 3)	30,278	37,299
Accrued and other liabilities (Note 10)	138,588	143,073
Total current liabilities	365,500	381,264
<b>Long-term Debt - Net of current portion (Note 8)</b>	616,590	633,416
<b>Fair Value of Interest Rate Swap Agreements (Note 8)</b>	31,501	45,086
<b>Other Liabilities (Note 11)</b>	271,042	469,711
Total liabilities	1,284,633	1,529,477
<b>Net Assets</b>		
Unrestricted	1,146,568	801,134
Temporarily restricted	24,372	22,357
Permanently restricted	50,349	47,494
Total net assets	1,221,289	870,985
Total liabilities and net assets	<b>\$ 2,505,922</b>	<b>\$ 2,400,462</b>

# McLaren Health Care Corporation and Subsidiaries

## Consolidated Statement of Operations (in thousands)

	Year Ended	
	September 30, 2013	September 30, 2012
<b>Unrestricted Revenue, Gains, and Other Support</b>		
Patient service revenue	\$ 5,334,128	\$ 4,918,988
Revenue deductions	(3,341,198)	(3,004,429)
Net patient service revenue	1,992,930	1,914,559
Provision for bad debts	(119,207)	(114,105)
Net patient service revenue less provision for bad debts	1,873,723	1,800,454
Other (Note 1)	610,322	419,929
Net assets released from restrictions used for operations	2,597	2,253
Total unrestricted revenue, gains, and other support	2,486,642	2,222,636
<b>Expenses</b>		
Salaries and wages	835,299	793,738
Employee benefits and payroll taxes	192,135	186,584
Supplies	374,432	372,817
Outside services	296,049	271,970
Professional and other liability costs	16,194	12,106
Healthcare costs	334,109	210,046
Depreciation and amortization	93,379	91,051
Interest expense	24,945	25,988
Other	254,556	198,183
Total expenses (Note 16)	2,421,098	2,162,483
<b>Operating Income</b>	65,544	60,153
<b>Other Income (Loss)</b>		
Investment income (Note 6)	17,105	14,029
Change in interest rate swap agreements (Note 8)	10,789	3,896
Change in unrealized gains and losses on investments (Note 6)	92,106	93,978
Inherent contribution from acquisition of Northern (Note 18)	-	73,334
Loss on extinguishment of debt	-	(2,021)
Total other income	120,000	183,216
<b>Excess of Revenue Over Expenses</b>	185,544	243,369
<b>Other</b>	(325)	(53)
<b>Pension-related Changes Other Than Net Periodic Benefit Cost</b>	156,412	(67,004)
<b>Net Assets Released from Restriction</b>	3,803	2,571
<b>Increase in Unrestricted Net Assets</b>	<b>\$ 345,434</b>	<b>\$ 178,883</b>



# McLaren Health Care Corporation and Subsidiaries

## Consolidated Statement of Changes in Net Assets (in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
<b>Net Assets - October 1, 2011</b>	\$ 622,251	\$ 10,604	\$ 36,127	\$ 668,982
Excess of revenue over expenses	243,369	-	-	243,369
Restricted contributions	-	7,227	24	7,251
Restricted investment income	-	170	14	184
Change in unrealized gains and losses on investments	-	1,192	-	1,192
Increase in fair value of perpetual trust	-	-	3,886	3,886
Other changes in net assets	(53)	(823)	-	(876)
Inherent contribution from acquisition of Northern	-	8,811	7,443	16,254
Pension-related changes other than net periodic benefit cost	(67,004)	-	-	(67,004)
Net assets released from restriction	2,571	(4,824)	-	(2,253)
Increase in net assets	178,883	11,753	11,367	202,003
<b>Net Assets - September 30, 2012</b>	801,134	22,357	47,494	870,985
Excess of revenue over expenses	185,544	-	-	185,544
Restricted contributions	-	7,035	121	7,156
Restricted investment income	-	204	9	213
Change in unrealized gains and losses on investments	-	1,176	-	1,176
Increase in fair value of perpetual trust	-	-	2,726	2,726
Other changes in net assets	(325)	-	(1)	(326)
Pension-related changes other than net periodic benefit cost	156,412	-	-	156,412
Net assets released from restriction	3,803	(6,400)	-	(2,597)
Increase in net assets	345,434	2,015	2,855	350,304
<b>Net Assets - September 30, 2013</b>	<b>\$ 1,146,568</b>	<b>\$ 24,372</b>	<b>\$ 50,349</b>	<b>\$ 1,221,289</b>

# McLaren Health Care Corporation and Subsidiaries

## Consolidated Statement of Cash Flows (in thousands)

	Year Ended	
	September 30, 2013	September 30, 2012
<b>Cash Flows from Operating Activities</b>		
Increase in net assets	\$ 350,304	\$ 202,003
Adjustments to reconcile increase in net assets to net cash from operating activities		
Depreciation and amortization of deferred charges	93,379	91,051
Net change in unrealized gains and losses on investments	(92,106)	(93,978)
Realized gains on investments	(9,905)	(5,516)
(Income) loss in unconsolidated subsidiaries	(1,583)	205
Pension related changes other than periodic benefit costs	(156,412)	67,004
Increase in fair value of perpetual trusts	(2,726)	(3,886)
Loss on disposal of equipment	1,457	345
Change in fair value of interest rate swap agreements	(10,789)	(3,896)
Loss on defeasance of debt	-	2,021
Temporarily and permanently restricted contributions	(7,156)	(7,251)
Provision for bad debts	119,518	114,105
Inherent contribution for the acquisition of Northern	-	(89,588)
Changes in assets and liabilities which (used) provided cash - Net of assets acquired and liabilities assumed in connection with Northern acquisition (Note 18).		
Accounts receivable	(96,965)	(160,108)
Other current assets	(34,914)	7,348
Cost report settlements (receivable) payable	(4,300)	22,370
Other assets	(16,087)	7,900
Accounts payable	32,738	9,979
Accrued and other liabilities	(1,977)	7,669
Other liabilities	(42,257)	(61,499)
Net cash provided by operating activities	120,219	106,278
<b>Cash Flows from Investing Activities</b>		
Purchase of property and equipment	(93,015)	(118,158)
Proceeds from sale of property and equipment	312	820
Cash paid for intangibles	(1,279)	(28,592)
Purchase of investments	(203,080)	(68,744)
Proceeds from sale and maturities of investments	171,226	34,140
Cash proceeds from acquisition of Northern	-	17,742
Cash received from joint ventures	3,496	163
Net cash used in investing activities	(122,340)	(162,629)
<b>Cash Flows from Financing Activities</b>		
Increase in funds held by trustee under bond indenture	4,952	25,199
Proceeds from issuance of debt obligations	-	114,316
Principal payment on long-term debt	(18,420)	(104,530)
Proceeds from bond financing costs and other	-	4,134
Payments on notes payable to bank	(5,234)	(16,363)
Temporarily and permanently restricted contributions	7,156	7,251
Net cash (used in) provided by financing activities	(11,546)	30,007
<b>Net Decrease in Cash and Cash Equivalents</b>	(13,667)	(26,344)
<b>Cash and Cash Equivalents - Beginning of year</b>	275,041	301,385
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 261,374</b>	<b>\$ 275,041</b>
<b>Supplemental Cash Flow Information - Cash paid for interest</b>	<b>\$ 23,666</b>	<b>\$ 26,186</b>

Significant noncash investing and financing activity includes the affiliation of Northern as of January 1, 2012 (Note 18)

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies**

**Reporting Entity and Corporate Structure** - McLaren Health Care Corporation and Subsidiaries (the "Corporation" or MHC), a not-for-profit corporation, is a major provider of healthcare services to residents of Flint, Lansing, Bay City, Lapeer, Macomb, Oakland, Mt. Pleasant, and Petoskey, Michigan and surrounding communities.

The consolidated financial statements include the corporations listed below, as well as their subsidiaries and related foundations, of which MHC is the sole member:

McLaren Flint (Flint)

McLaren Bay Region (Bay)

McLaren Lapeer Region (Lapeer)

McLaren Greater Lansing (Lansing)

McLaren Macomb (Macomb)

McLaren Oakland (Oakland)

McLaren Central Michigan (Central)

McLaren Northern Michigan (Northern)

McLaren Medical Group (MMG)

McLaren Homecare Group (MHG)

McLaren Health Plan (MHP)

McLaren Bay Special Care (BSC)

McLaren Insurance Company, LTD (MICOL)

Significant accounting policies include the following:

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of McLaren Health Care Corporation and its subsidiaries. Intercompany transactions and balances have been eliminated in consolidation.

**Cash and Cash Equivalents** - Cash and cash equivalents include investments in highly liquid debt instruments with an original maturity of three months or less, excluding amounts limited as to use by board designation or other arrangements under trust agreements (see Note 6).

The Corporation routinely invests its surplus operating funds in money market mutual funds. These funds generally invest in highly liquid U.S. government and agency obligations. Investments in money market funds are not insured or guaranteed by the U.S. government; however, management believes that credit risk related to these investments is minimal.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Accounts Receivable** - Accounts receivable from patients, insurance companies, and governmental agencies are based on gross charges. An allowance for contractual adjustments and interim payment advances is based on expected payment rates from payors based on current reimbursement methodologies. This amount also includes amounts received as interim payments against unpaid claims by certain payors.

Accounts receivable are reduced by an allowance for doubtful accounts. In evaluating the collectibility of accounts receivable, the Corporation analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for doubtful accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts.

For receivables associated with services provided to patients who have third-party coverage, the Corporation analyzes contractually due amounts and provides an allowance for doubtful accounts and a provision for bad debts, if necessary (for example, for expected uncollectible deductibles and copayments on accounts for which the third-party payor has not yet paid, or for payors who are known to be having financial difficulties that make the realization of amounts due unlikely).

For receivables associated with self-pay patients (which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill), the Corporation records a significant provision for bad debts in the period of service on the basis of its past experience, which indicates that many patients are unable or unwilling to pay the portion of their bill for which they are financially responsible. The difference between the standard rates (or the discounted rates, if negotiated) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for doubtful accounts in the period they are determined to be uncollectible.

**Investments** - Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Investments in other equity securities or privately held companies are recorded at cost. Investment income or loss (including realized and changes in unrealized gains and losses on investments, interest, and dividends) is included in excess of revenue over expenses, unless the income or loss is restricted by the donor.

The Corporation's investments are exposed to various risks, such as interest rate, market, and credit risk. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the value of investments, it is at least reasonably possible that changes in risks in the near term could materially affect the amounts reported in the consolidated balance sheet and the consolidated statements of operations and changes in net assets.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Securities Lending Arrangements** - The Corporation engages in transactions whereby certain securities in its portfolio are loaned to other institutions, generally for a short period of time. The Corporation records the fair value of the collateral received as a current asset and a current liability since the Corporation is obligated to return the collateral upon the return of the borrowed securities.

**Pooled Funds** - The Corporation has authorized investment pools for flexibility in investing its assets and maximizing its rate of return. Realized and unrealized gains or losses and income on unallocated investments are allocated to the unrestricted and temporarily restricted net assets participating in the pool based upon the average balance of the respective net assets.

**Assets Limited as to Use** - Assets limited as to use include assets set aside by the governing boards of various subsidiaries for future capital improvements, over which the boards retain control and may at their discretion subsequently use for other purposes. Assets limited as to use also include assets held by trustees under indenture agreements, funds held in trust by foundations, funds restricted by donors for specific purposes, funds held in trust for payment of employee benefits, and self-insurance trust arrangements (see Note 6).

**Property and Equipment** - Property and equipment acquisitions are recorded at cost. Donated property and equipment are recorded at the estimated fair market value at the time of donation. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. Costs of maintenance and repairs are charged to expense when incurred.

**Intangible Assets** - The recorded amount of intangible assets results primarily from the acquisition of plan members and provider networks related to MHP's acquisition of CareSource (see Note 6) and the acquisition of various physician practices. Intangible assets are based on management's best estimates of the fair value of assets acquired at the date of acquisition. As described in Note 6, certain components of the intangible assets are being amortized. The remainder is assessed for impairment on an annual basis. No impairment charge was recognized in the years ended September 30, 2013 and 2012.

**Interest Rate Swaps** - The Corporation has entered into interest rate swap agreements to manage its investments and capitalization, including risks associated with changes in interest rates. The Corporation records its interest rate swaps at fair value in the accompanying consolidated balance sheet, as either assets or liabilities. None of the Corporation's current swaps are designated as a hedge. Accordingly, both the unrealized and realized gains or losses related to the interest rate swaps are included in nonoperating income (loss) on the consolidated statement of operations (see Note 8).

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Classification of Net Assets** - Net assets of the Corporation are classified as permanently restricted, temporarily restricted, or unrestricted depending on the presence and characteristics of donor-imposed restrictions limiting the Corporation's ability to use or dispose of contributed assets or the economic benefits embodied in those assets. Donor-imposed restrictions that expire with the passage of time or that can be removed by meeting certain requirements result in temporarily restricted net assets. Permanently restricted net assets result from donor-imposed restrictions that limit the use of net assets in perpetuity. Earnings, gains, and losses on restricted net assets are classified as unrestricted unless specifically restricted by the donor or by applicable state law.

**Temporarily Restricted Net Assets** - Temporarily restricted net assets reflect assets contributed or pledged to the Corporation and its subsidiaries, the use of which is restricted by the donor. Temporarily restricted net assets are restricted for medical education, indigent care, and property and equipment purchases. Investment earnings on temporarily restricted investments are restricted by donors for specific purposes.

**Permanently Restricted Net Assets** - Permanently restricted net assets are primarily comprised of the estimated present value of the future cash receipts from certain trust assets. The present value of the future receipts from the trusts is recorded at the fair value of the assets of the trusts, net of liabilities.

**Excess of Revenue Over Expenses** - The consolidated statement of operations includes excess of revenue over expenses. Changes in unrestricted net assets, which are excluded from excess of revenue over expenses, consistent with industry practice, include net assets released from restrictions for the acquisition of long-lived assets, pension-related changes other than net periodic benefit cost, and other.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**Net Patient Service Revenue** - The Corporation recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Corporation recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a significant portion of the Corporation's uninsured patients will be unable or unwilling to pay for the services provided. Thus, the Corporation records a significant provision for bad debts related to uninsured patients in the period the services are provided. Patient service revenue, net of contractual allowances and discounts (but before the provision for bad debts), recognized in the period from these major payor sources, is as follows (in thousands):

	Third-party Payors	Self-pay	Total All Payors
Patient service revenue (net of contractual allowances and discounts)	\$ 1,900,150	\$ 92,780	\$ 1,992,930

Retroactively calculated adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods, as final settlements are determined.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Management believes that it is in compliance with all applicable laws and regulations. Final determination of compliance of such laws and regulations is subject to future government review and interpretation. Violations may result in significant regulatory action including fines, penalties, or exclusions from the Medicare and/or Medicaid programs.

**Contributions** - The Corporation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, temporarily restricted net assets are reclassified to unrestricted net assets and reported in the consolidated statement of changes in net assets as net assets released from restrictions.

The Corporation reports gifts of property and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the Corporation reports the expiration of donor restrictions when the assets are placed in service.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

**Premium Revenue** - MHP recognizes premium revenue in the period the subscribers are entitled to related healthcare services. Premium revenue is reported in other revenue in the consolidated statement of operations and was approximately \$522,400,000 and \$357,700,000 for the years ended September 30, 2013 and 2012, respectively.

**Healthcare Costs** - MHP contracts with various healthcare providers for the provision of certain medical services to its members. Healthcare costs include all amounts incurred under capitation payment agreements and services rendered under fee-for-service arrangements, including an estimate of costs incurred but not reported at each year end. Healthcare costs are reported in other expenses in the consolidated statement of operations.

**Professional and Other Liability Insurance** - The Corporation, its subsidiaries, and qualifying medical staff are insured for professional liability on a claims-made basis by MICOL, a multiprovider, offshore captive insurance company which is wholly owned by the Corporation. The Corporation and its subsidiaries accrue an estimate of the ultimate expense, including litigation and settlement expense, for incidents of potential improper professional service and other liability claims occurring during the year as well as for those claims that have not been reported at year end, which is based on estimates provided by an independent actuary (see Note 14). The expected amount of insurance recoveries is recorded as a receivable, net of allowance for uncollectible receivables.

**Charity Care** - Subsidiaries of the Corporation provide care to patients who meet certain criteria under charity care policies without charge or at amounts less than established rates. Because the Corporation and its subsidiaries do not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue (see Note 4).

**Tax Status** - The Corporation and substantially all of its subsidiaries are nonprofit, tax-exempt organizations; accordingly, no tax provision is reflected in the consolidated financial statements. Some subsidiaries are for-profit corporations. Income tax provisions are not material to the consolidated financial statements.



# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 1 - Nature of Business and Significant Accounting Policies (Continued)**

The accounting standard that refers to accounting for uncertainty in income taxes addresses the determination of how tax benefits claimed or expected to be claimed on a tax return should be recorded on the consolidated financial statements. Companies must recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The standard also provides guidance on derecognition, classification, interest and penalties on income taxes, and accounting in interim periods, and requires increased disclosures. The evaluated potential exposure related to uncertain tax positions was found to be immaterial.

The Corporation is subject to routine audits by taxing jurisdictions. The Corporation and certain of its subsidiaries are currently being audited by the IRS for the 2012, 2011, and 2010 tax periods. The Corporation is unable to quantify a tax liability, if any, at this time. Management believes the Corporation is not subject to tax examinations for years prior to September 30, 2010.

**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. Actual results could differ from those estimates.

**Electronic Health Records Incentive Payments** - The American Recovery and Reinvestment Act of 2009 (ARRA) established funding in order to provide incentive payments to hospitals and physicians that implement the use of electronic health record (EHR) technology by 2014. The Corporation may receive an incentive payment for up to four years, provided the Corporation demonstrates meaningful use of certified EHR technology during the EHR reporting period. The revenue from the incentive payments is recognized ratably over the EHR reporting period when there is reasonable assurance that the Corporation will comply with eligibility requirements during the EHR reporting period and an incentive payment will be received. The amounts are recorded within other operating revenue, as the incentive payments are related to the Corporation's ongoing and central activities, yet not critical to the delivery of patient service.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 1 - Nature of Business and Significant Accounting Policies (Continued)

**New Accounting Pronouncements** - During 2011, the Financial Accounting Standards Board (FASB) adopted Accounting Standards Update (ASU) 2011-07, *Health Care Entities (Topic 954), Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*, establishing accounting and disclosures for healthcare entities that recognize significant amounts of patient service revenue at the time services are rendered, even though the entities do not assess a patient's ability to pay. The amendments in the ASU change the presentation of the consolidated statement of operations and add new disclosures that are required under current generally accepted accounting principles for entities within the scope of this update. The provision for bad debts associated with patient service revenue for certain entities is required to be presented on a separate line as a deduction from patient service revenue (net of contractual allowances and discounts) in the consolidated statement of operations. The ASU is effective for the Corporation for the year ended September 30, 2013 and the provision has been applied retrospectively for the year ended September 30, 2012. As a result of the retrospective application, total unrestricted revenue, gains, and other support and total operating expenses decreased by \$114,105,000, with no changes to excess of revenue over expenses for the year ended September 30, 2012. The update requires new disclosures be provided on a prospective basis, and have therefore been presented for the year ended September 30, 2013.

**Subsequent Events** - The consolidated financial statements and related disclosures include evaluation of events up through and including January 8, 2014, which is the date the consolidated financial statements were available to be issued.

### Note 2 - Patient Accounts Receivable

The details of patient accounts receivable are set forth below (in thousands):

	2013	2012
Patient accounts receivable	\$ 774,073	\$ 837,543
Less allowance for uncollectible accounts	(97,245)	(94,366)
Less allowance for contractual adjustments	(476,773)	(513,982)
Net patient accounts receivable	200,055	229,195
Other	20,080	20,764
Total accounts receivable	<u>\$ 220,135</u>	<u>\$ 249,959</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 2 - Patient Accounts Receivable (Continued)

Subsidiaries of the Corporation grant credit without collateral to patients, most of whom are local residents and are insured under third-party payor agreements. The composition of receivables from patients and third-party payors is as follows:

	Percentage	
	2013	2012
Medicare	33	33
Blue Cross/Blue Shield of Michigan	11	13
Medicaid	18	19
Commercial insurance and HMOs	22	19
Self-pay	16	16
Total	100	100

### Note 3 - Cost Report Settlements

Medical centers of the Corporation have agreements with third-party payors that provide for reimbursement at amounts different from the subsidiaries' established rates. A summary of the basis of reimbursement with these third-party payors is as follows:

- **Medicare** - Inpatient, acute care, psychiatric, and rehabilitation services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system based on clinical, diagnostic, and other factors. Long-term acute care services are reimbursed on a prospectively determined per-diem basis. Outpatient, physician, and homecare services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care or on an established fee-for-service methodology.
- **Medicaid** - Inpatient, acute care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Capital costs relating to Medicaid patients are paid on a cost reimbursement method. Outpatient and physician services are reimbursed on an established fee-for-service methodology.
- **Blue Cross/Blue Shield of Michigan** - Inpatient, acute care services are reimbursed at prospectively determined rates per discharge. Outpatient services are reimbursed on fee-for-service and percentage-of-charge bases.
- **Health Maintenance Organizations** - Services rendered to HMO beneficiaries are paid at predetermined rates or at a percentage of hospital charges.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 3 - Cost Report Settlements (Continued)

Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare, Medicaid, Blue Cross/Blue Shield of Michigan, and HMO programs and are subject to audit by fiscal intermediaries.

The Medicare program has initiated a recovery audit contractor (RAC) initiative, whereby claims subsequent to October 1, 2007 may be reviewed by contractors for validity, accuracy, and proper documentation. The Corporation is unable to determine the extent of liability for overpayments, if any. The potential exists for significant overpayment of claims liability for the Corporation at a future date.

### Note 4 - Community Benefit

The Corporation and its subsidiaries accept all patients regardless of their ability to pay. The Corporation has established a formal policy whereby a patient may qualify as a charity patient if certain criteria are met. These policies define charity services as those services for which no payment is anticipated. In assessing a patient's ability to pay, the Corporation utilizes multiples of the Federal Poverty Guideline consistent with industry practice, but also includes certain cases where incurred charges are significant compared to the patient's available resources. In addition to providing services to the financially disadvantaged, the medical centers participate in county, state, and federal programs designed for the indigent and elderly, whereby the medical centers may be reimbursed at less than the cost of providing those services, provide other community services at no or nominal cost, and subsidize graduate medical education in the community. An estimate of charity and other uncompensated care for the medical centers is as follows (in thousands):

	2013	2012
Charity care cost	\$ 26,368	\$ 22,729
Cost in excess of reimbursement for county health plans (unaudited)	13,384	13,419
Cost in excess of reimbursement from government programs (unaudited)	89,218	89,490
Cost in excess of reimbursement for graduate medical education (unaudited)	15,897	14,627
Cost of community programs (unaudited)	17,926	13,292
Total	<u>\$ 162,793</u>	<u>\$ 153,557</u>

The cost of bad debt for the Corporation for the years ended September 30, 2013 and 2012 was approximately \$41,364,000 and \$40,484,000, respectively, which is reflected in the consolidated statement of operations as charges of \$119,518,000 and \$114,105,000, respectively.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 5 - Property and Equipment

Property and equipment and depreciable lives are summarized as follows (in thousands):

	2013	2012	Depreciable Life - Years
Land	\$ 60,107	\$ 57,095	-
Land improvements	38,090	37,511	5-35
Buildings	848,107	836,111	20-40
Equipment	1,014,241	1,001,298	5-15
Construction in progress	105,979	83,444	-
Total cost	2,066,524	2,015,459	
Accumulated depreciation	(1,200,321)	(1,150,827)	
Net property and equipment	<u>\$ 866,203</u>	<u>\$ 864,632</u>	

Construction in progress consists primarily of the construction of a facility to provide proton beam therapy, various renovation projects, equipment purchases not placed into service at year end, and the implementation of information technology projects at the medical centers and MHC.

Depreciation expense was approximately \$93,379,000 and \$91,051,000 for the years ended September 30, 2013 and 2012, respectively.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 6 - Other Assets

The detail of other assets is summarized in the following schedule (in thousands):

	2013	2012
Investments:		
Assets limited as to use and permanently or temporarily restricted assets:		
Funds held by trustees under bond indentures	\$ 15,291	\$ 20,740
Funds held in trust for payment of professional and other liability claims (Note 14)	75,304	75,232
By board of trustees for future capital improvements	140,798	123,718
By the foundations - Funds held in trust for the benefit of MHC and its subsidiaries	77,900	76,185
By donors for specific purposes	12,554	9,625
Funds held in trust for payment of employee benefits	21,492	16,435
Total assets limited as to use and permanently or temporarily restricted assets	343,339	321,935
General investments	621,454	499,446
Investment in Anthelio (Note 15)	33,187	34,133
Total investments	997,980	855,514
Less amount for payment of current liabilities	(3,329)	(4,097)
Bond issue and other costs	6,207	6,673
Investment in joint ventures	26,664	28,112
Intangible assets	32,994	31,909
Interest rate swap (Note 8)	-	2,796
Other	16,121	15,138
Total other assets	<u>\$ 1,076,637</u>	<u>\$ 936,045</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 6 - Other Assets (Continued)

Investments consist of the following (in thousands):

	2013	2012
Money market investments	\$ 36,205	\$ 68,708
Certificates of deposit and cash equivalents	9,896	7,085
Government securities	25,982	36,120
Mortgage-backed securities	166	200
Mutual funds	408,695	345,337
Corporate bonds	33,104	12,186
Common and preferred stocks	445,014	349,686
Due from trusts (Note 12)	38,918	36,192
Total	<u>\$ 997,980</u>	<u>\$ 855,514</u>

Funds held by the trustee under bond indenture are held for the purpose of making future bond principal and interest payments and payments for certain construction projects. Investment income accrues to the funds as earned.

Investment income and gains and losses are comprised of the following for the years ended September 30, 2013 and 2012 (in thousands):

	2013	2012
Unrestricted investment income	\$ 17,105	\$ 14,029
Investment income on temporarily and permanently restricted investments	213	184
Change in net unrealized gains and losses on unrestricted investments	92,106	93,978
Change in net unrealized gains and losses on restricted investments	1,176	1,192
Total investment income	<u>\$ 110,600</u>	<u>\$ 109,383</u>

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 6 - Other Assets (Continued)**

The Corporation participates in the JPMorgan Chase Bank, N.A. Security Lending Program for its U.S. and non-U.S. securities held in custody at JPMorgan Chase Bank, N.A. (JPMorgan Chase). These securities are loaned to certain unrelated third-party brokers in exchange for collateral, usually in the form of cash. Both the collateral and the securities loaned are marked-to-market on a daily basis so that all loaned securities are more than fully collateralized at all times. Collateral received is invested in a segregated account managed by JPMorgan Chase, which consists of high quality short-term investments. In the event that the loaned securities are not returned by the borrower, JPMorgan Chase will, at its own expense, either replace the loaned securities or, if unable to purchase those securities on the open market, credit the Corporation's accounts with cash equal to the fair value of the loaned securities.

The Corporation receives 40 percent of any residual income earned on the securities held as collateral. JPMorgan Chase receives the remainder of the income.

Although the Corporation's securities lending activities are collateralized as described above, and although the terms of the securities lending agreement with JPMorgan Chase require JPMorgan Chase to comply with government rules and regulations related to the lending of securities held by the Corporation, the securities lending program involves both market and credit risk. In this context, market risk refers to the possibility that the borrower of securities will be unable to collateralize its loan upon a sudden material change in the fair value of the loaned securities or the collateral, or that JPMorgan Chase's investment of collateral received from the borrowers of the Corporation's securities may be subject to unfavorable market fluctuations. Credit risk refers to the possibility that counterparties involved in the securities lending program may fail to perform in accordance with the terms of their contracts.

At September 30, 2013 and 2012, the fair value of securities loaned in the portfolio was \$3,806,000 and \$16,330,000, respectively, while the collateral held was \$3,648,000 and \$16,173,000, respectively. Collateral received consists of cash and fixed-income securities. The value of the collateral held and a corresponding liability to return the collateral have been reported on the accompanying consolidated balance sheet.

On August 1, 2012, MHP purchased CareSource Michigan for approximately \$27,000,000. As part of that transaction, MHP recorded \$18,000,000 of intangible assets for plan members and provider networks that is being amortized over 18 years. In addition, MHP recognized \$3,000,000 of intangible assets related to Medicare Advantage contracts and goodwill of approximately \$5,500,000. These assets are considered to have an indefinite useful life and therefore are not being amortized but are tested for impairment on an annual basis.



# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 7 - Fair Value Measurements**

Accounting standards require certain assets and liabilities be reported at fair value in the consolidated financial statements and provide a framework for establishing that fair value. The framework for determining fair value is based on a hierarchy that prioritizes the inputs and valuation techniques used to measure fair value.

The following tables present information about the Corporation's assets and liabilities measured at fair value on a recurring basis at September 30, 2013 and 2012 and the valuation techniques used by the Corporation to determine those fair values.

In general, fair values determined by Level 1 inputs use quoted prices in active markets for identical assets or liabilities that the Corporation has the ability to access.

Fair values determined by Level 2 inputs use other inputs that are observable, either directly or indirectly. These Level 2 inputs include quoted prices for similar assets and liabilities in active markets and other inputs such as interest rates and yield curves that are observable at commonly quoted intervals.

Level 3 inputs are unobservable inputs, including inputs that are available in situations where there is little, if any, market activity for the related asset. These Level 3 fair value measurements are based primarily on management's own estimates using pricing models, discounted cash flow methodologies, or similar techniques taking into account the characteristics of the asset.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The Corporation's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The Corporation's policy is to recognize transfers between levels of the fair value hierarchy as of the actual date of the event of change in circumstances that caused the transfer. There were no significant transfers between levels of the fair value hierarchy during 2013 and 2012.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 7 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at  
September 30, 2013 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2013
<b>Assets</b>				
Mutual funds:				
Fixed-income investments	\$ 198,162	\$ 1,577	\$ -	\$ 199,739
Equity investments	191,769	-	-	191,769
Balanced investments	2,695	-	-	2,695
Short-term investments	14,492	-	-	14,492
Common and preferred stocks:				
U.S. securities	177,856	-	-	177,856
Foreign securities	231,520	-	-	231,520
Preferred stocks	-	2,451	-	2,451
Debt securities:				
U.S. government and agencies	1,235	23,325	-	24,560
State government and agencies	-	1,422	-	1,422
Corporate bonds and notes	-	33,104	-	33,104
Residential mortgage- backed securities	-	166	-	166
Money market investments:				
Short-term investments	35,924	-	-	35,924
Fixed-income investments	281	-	-	281
Collateral on securities lending arrangements	-	3,648	-	3,648
Due from trusts	-	38,918	-	38,918
Total assets	<u>\$ 853,934</u>	<u>\$ 104,611</u>	<u>\$ -</u>	<u>\$ 958,545</u>
<b>Liabilities</b>				
Obligations on secured lending arrangements	\$ -	\$ 3,806	\$ -	\$ 3,806
Interest rate swap agreements	-	31,501	-	31,501
Total liabilities	<u>\$ -</u>	<u>\$ 35,307</u>	<u>\$ -</u>	<u>\$ 35,307</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 7 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at  
September 30, 2012 (in thousands)

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at September 30, 2012
<b>Assets</b>				
Mutual funds:				
Fixed-income investments	\$ 184,486	\$ 1,787	\$ -	\$ 186,273
Equity investments	144,187	-	-	144,187
Balanced investments	3,747	-	-	3,747
Short-term investments	11,130	-	-	11,130
Common and preferred stocks:				
U.S. securities	178,088	-	-	178,088
Foreign securities	133,212	-	-	133,212
Preferred stocks	-	4,253	-	4,253
Debt securities:				
U.S. government and agencies	2,247	32,444	-	34,691
State government and agencies	-	1,429	-	1,429
Corporate bonds and notes	-	12,186	-	12,186
Residential mortgage- backed securities	-	200	-	200
Money market investments:				
Short-term investments	68,400	-	-	68,400
Fixed-income investments	308	-	-	308
Collateral on securities lending arrangements	-	16,173	-	16,173
Due from trusts	-	36,192	-	36,192
Interest rate swap agreements	-	2,796	-	2,796
Total assets	<u>\$ 725,805</u>	<u>\$ 107,460</u>	<u>\$ -</u>	<u>\$ 833,265</u>
<b>Liabilities</b>				
Obligations on secured lending arrangements	\$ -	\$ 16,330	\$ -	\$ 16,330
Interest rate swap agreements	-	45,086	-	45,086
Total liabilities	<u>\$ -</u>	<u>\$ 61,416</u>	<u>\$ -</u>	<u>\$ 61,416</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 7 - Fair Value Measurements (Continued)

Collateral from securities lending, assets whose use is limited or restricted, and investments on the consolidated balance sheet, as further discussed in Note 6, at September 30, 2013 and 2012 included cash and certificates of deposit of \$9,896,000 and \$7,085,000, respectively, and an investment in Anthelio Healthcare Solutions, Inc. recorded at cost of \$33,187,000 and \$34,133,000, respectively. Cash and certificates of deposit and the investment in Anthelio are not measured at fair value on a recurring basis and therefore are not included in the tables above.

The fair value of the fixed-income mutual funds, preferred stocks, debt securities, securities lending, due from trusts, and swap arrangements was determined primarily based on Level 2 inputs. The Corporation estimates the fair value of these investments using quoted prices for similar assets in active markets. The fair value of the assets was determined primarily based on quoted market prices from the investment custodians. The Level 2 inputs used in estimating the fair value of the swap agreements include the notional amount, effective interest rate, and maturity date.

### Note 8 - Long-term Debt

Long-term debt consists of the following (in thousands):

	2013	2012
McLaren Health Care Series 2012A	\$ 100,355	\$ 107,695
McLaren Health Care Series 2010	67,125	67,125
McLaren Health Care Series 2008A	208,537	212,595
McLaren Health Care Series 2008B	158,320	160,700
McLaren Health Care Series 2005C	75,170	75,935
Unamortized premium	9,284	10,603
Subtotal	618,791	634,653
Other	13,269	15,827
Total	632,060	650,480
Less current portion	15,470	17,064
Long-term portion	<u>\$ 616,590</u>	<u>\$ 633,416</u>

The McLaren Health Care Series bonds are issued through MHC as credit group agent, on behalf of the Credit Group, which consists of the following medical centers: Bay, Flint, Lansing, Oakland, Lapeer, Macomb, Northern, and Central; along with the following foundations: McLaren Foundation, McLaren Macomb Healthcare Foundation, and McLaren Lapeer Region Foundation. As credit group agent, MHC has the power to cause any member of the Credit Group to make required principal and interest payments on the bonds issued by the Credit Group.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 8 - Long-term Debt (Continued)**

In June 2012, the Michigan Finance Authority issued the Hospital Revenue Refunding Bonds (McLaren Health Care), Series 2012A, totaling \$107,695,000. The proceeds of the bonds were used to refund the following outstanding bonds: Michigan Finance Authority Revenue and Refunding Bonds (McLaren Health Care Corporation), Series 1998A; Petoskey Hospital Finance Authority Limited Obligation Revenue and Refunding Bonds (Northern Michigan Hospitals Obligated Group), Series 1998; Petoskey Hospital Finance Authority Limited Obligation Revenue Bonds, Series 2003 (Northern Michigan Hospitals Obligated Group); and Petoskey Hospital Finance Authority Limited Obligation Lease Revenue Bonds, Series 2006 (Northern Michigan Hospitals Obligated Group), along with outstanding indebtedness on McLaren's line of credit. The bonds are secured by the gross revenue of the Credit Group.

The 2012A bonds consist of serial bonds with interest ranging from 3.0 percent to 5.0 percent and annual maturities ranging from \$5,215,000 to \$7,385,000, a term bond in the amount of \$10,285,000, due June 1, 2035 with interest at 5.0 percent, and an additional term bond in the amount of \$660,000, due June 1, 2035 at 4.0 percent. In connection with the refunding of the McLaren Health Care Series 1998A, Limited Obligation Revenue and Refunding Bonds Series 1998, Limited Obligation Revenue Bonds Series 2003, and Limited Obligation Lease Revenue Bonds Series 2006, a loss on extinguishment of debt was recognized in the amount of \$2,021,000 during the year ended September 30, 2012.

McLaren Health Care Series 2010 bonds consist of revenue bonds issued by Michigan Finance Authority on behalf of the Credit Group. The bonds are secured by the gross revenue of the Credit Group and are payable in annual installments beginning December 1, 2021 of \$3,356,250, plus interest. Flint will pay the remaining outstanding principal on December 1, 2040. The bonds bear interest at 3.25 percent per annum until the initial optional tender date on December 1, 2020.

McLaren Health Care Series 2008A and 2008B bonds (collectively, the "2008 Bonds"), consist of Revenue and Refunding Bonds issued by Michigan Finance Authority. The Series 2008A bonds are secured by the gross revenue of the Credit Group and consist of serial bonds with interest at 5.25 percent annual maturities ranging from \$4,250,000 in 2014 to \$5,135,000 in 2018, a term bond in the amount of \$68,890,000, due May 15, 2028 with interest at 5.625 percent, and an additional term bond in the amount of \$116,195,000, due May 15, 2038 with interest at 5.75 percent.

The Series 2008B bonds consist of variable rate bonds bearing interest based on a weekly interest rate determined by a remarketing agent to reflect current prevailing market conditions. The bonds are secured by the gross revenue of the Credit Group and have mandatory sinking fund redemption requirements in various amounts through 2038.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 8 - Long-term Debt (Continued)

Holders of the Series 2008B bonds have the option to demand payment of their outstanding bonds. The Credit Group has entered into a remarketing agreement that requires the remarketing agent to utilize best efforts to remarket any such bonds that may be tendered for payment. The Credit Group has entered into a credit facility with a bank to provide for payment in the event any of the bonds cannot be remarketed. Draws on the credit facility are required to be reimbursed to the credit facility at the earliest remarketing or expiration of the credit facility. The credit facility expires on December 1, 2016 and may be extended. Any outstanding draws on the credit facility at expiration will be converted to a term note payable over three years.

McLaren Health Care Series 2005C bonds consist of revenue bonds issued by Michigan Finance Authority. The bonds are secured by the gross revenue of the Credit Group and consist of term bonds with annual principal payments including mandatory sinking fund payments ranging from \$815,000 to \$14,550,000. The bonds bear fixed interest rates ranging from 4.75 percent to 5.0 percent.

In connection with their loan agreements with the Michigan Finance Authority, the Obligated and Credit Groups have made a covenant, among others, that net revenue, as defined in the bond documents, would equal or exceed 140 percent of maximum annual interest and principal requirements, as defined under the agreements.

Scheduled minimum principal payments on long-term debt to maturity as of September 30, 2013 are as follows (in thousands):

2014	\$	15,470
2015		13,698
2016		14,775
2017		15,820
2018		14,431
Thereafter		<u>548,582</u>
Subtotal		622,776
Unamortized premium		<u>9,284</u>
Total	\$	<u>632,060</u>

### Derivatives

The derivative instruments used by the Corporation are interest rate swap agreements that are used to manage variability in interest rates.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 8 - Long-term Debt (Continued)**

#### **(a) Objectives and Strategies**

The Corporation's objectives with respect to its use of derivative instruments include managing the risk of increased debt service resulting from rising market interest rates, the risk of decreased surplus returns resulting from falling interest rates, and the management of the risk of an increase in the fair value of outstanding fixed rate obligations resulting from declining market interest rates.

Debt obligations expose the Corporation to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments. To meet this objective, management enters into interest rate swap agreements to manage fluctuations resulting from interest rate risk.

By using derivative financial instruments to hedge exposure to changes in interest rates, the Corporation exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Corporation, which creates credit risk for the Corporation. When the fair value of a derivative contract is negative, the Corporation owes the counterparty and, therefore, it does not pose credit risk. The Corporation minimizes the credit risk in derivative instruments by entering into transactions with high quality counterparties.

Market risk is the adverse effect on the value of a financial instrument that results from a change in interest rates. The market risk associated with interest rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

#### **(b) Risk Management Policies**

The Corporation assesses interest rate risk by continually identifying and monitoring changes in interest rate exposures that may adversely impact expected future cash flows and by evaluating hedging opportunities. The Corporation maintains risk management control systems to monitor interest rate risk attributable to both the Corporation's outstanding or forecasted debt obligations, as well as the Corporation's offsetting hedge positions. The risk management control system involves the use of analytical techniques, including cash flow sensitivity analysis, to estimate the expected impact of changes in interest rates on the Corporation's future cash flows.

The Corporation does not use derivative instruments for speculative investment purposes.

#### **(c) Transactions**

MHC has entered into three interest rate swap agreements to manage the overall variability in interest rates.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 8 - Long-term Debt (Continued)**

In December 2011, the Corporation entered into novation agreements related to two of the three existing swap agreements. Under the novation agreement, the existing counterparty has transferred the swap agreement to two separate counterparties. Under the terms of the ISDA master agreement, the Corporation is required to maintain collateral posted within the counterparty to secure a portion of the estimated value of the derivative instruments when said instruments are valued in favor of the counterparty, as periodically determined by the counterparty. The Corporation was not required to post collateral at September 30, 2013 or September 30, 2012. The Corporation's accounting policy is not to offset collateral amounts against fair value amounts recognized for derivative instrument obligations. Accordingly, any posted collateral would be included in cash and cash equivalents in the accompanying consolidated balance sheet.

One swap agreement is for a notional amount of \$225,000,000. Under the terms of the agreement, MHC pays the counterparty a rate equal to the USD-SIFMA Municipal Swap Index rate and receives in exchange 61.3 percent of LIBOR plus 0.776 percent.

The second swap agreement is for a notional amount of \$83,200,000 and \$85,700,000 at September 30, 2013 and 2012, respectively. Under the terms of the agreement, MHC pays the counterparty a fixed rate of 3.355 percent and receives in exchange 65 percent of LIBOR plus 0.12 percent.

The third swap agreement is for a notional amount of \$75,000,000. Under the terms of the agreement, MHC pays the counterparty a fixed rate of 3.64 percent and receives in exchange 65 percent of LIBOR plus 0.12 percent.

These swap agreements are recorded on the consolidated balance sheet at their fair value. Changes in the fair value of the swap agreements are reported as a component of excess of revenue over expenses, as well as any settlements on the interest rate swaps. There were no settlements in 2013 or 2012.

The Corporation's interest rate swap liability at September 30, 2013 was \$31,501,000. For the year ended September 30, 2012, the Corporation's interest rate swap asset and liability were \$2,796,000 and \$45,086,000, respectively. The amount of gain recognized in the consolidated statement of operations attributable to derivative instruments as changes in fair market value of interest rate swap agreements was \$10,789,000 and \$3,896,000 for the years ended September 30, 2013 and 2012, respectively.



# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 9 - Notes Payable

MHC negotiated, on behalf of the Corporation, a revolving line of credit agreement, secured by the gross revenue of the Credit Group, with a bank in the amount of \$100,000,000. The line of credit agreement was amended in August 2013 in which the interest rate is based on an adjusted LIBOR which ranged from .91 percent to 1.32 percent at September 30, 2013. Prior to the amendment, the line of credit had an interest rate based on the eurodollar rate plus 0.5 percent at the time of borrowing for an effective rate of 1.78 percent at September 30, 2012.

There was \$4,668,000 and \$9,902,000 outstanding on the line of credit as of September 30, 2013 and 2012, respectively.

### Note 10 - Accrued and Other Liabilities

The details of accrued liabilities at September 30, 2013 and 2012 are as follows (in thousands):

	2013	2012
Payroll and related items	\$ 60,685	\$ 57,244
Compensated absences	37,298	37,369
Professional and other liability claims - Current portion (Note 14)	5,082	4,202
Interest	6,094	4,815
Obligations under securities lending (Note 6)	3,806	16,330
Other	25,623	23,113
Total accrued liabilities	<u>\$ 138,588</u>	<u>\$ 143,073</u>

### Note 11 - Other Liabilities

The detail of other liabilities at September 30, 2013 and 2012 is given below (in thousands):

	2013	2012
Accrued defined contribution pension cost	\$ 12,998	\$ 9,739
Accrued defined benefit pension cost (Note 13)	102,954	296,649
Accrued postretirement benefit cost (Note 13)	44,172	50,148
Accrued professional and other liability claims (Note 14)	88,781	86,720
Other	22,137	26,455
Total other liabilities	<u>\$ 271,042</u>	<u>\$ 469,711</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 12 - Due from Trusts

McLaren Foundation is the sole beneficiary of the income from the Minnie I. Ballenger Trust and the William S. Ballenger Trust (collectively, the "Trusts"). The amount due from these Trusts (see Note 6) represents the fair value of the assets held in the Trusts. Since McLaren Foundation receives only the net interest and dividend income of the Trusts, this income is recorded as an increase in unrestricted net assets. Changes in the fair value of the investments in the Trusts are recorded as changes in permanently restricted net assets by McLaren Foundation. The amounts receivable, representing the fair value of the trust assets, are as follows (in thousands):

	2013	2012
Minnie I. Ballenger Trust	\$ 37,961	\$ 35,294
William S. Ballenger Trust	957	898
Total	<u>\$ 38,918</u>	<u>\$ 36,192</u>

### Note 13 - Pension and Other Postretirement Benefit Plans

MHC, Flint, MHP, MHG, and MMG participate in a single defined benefit pension plan. Bay, Lansing, Lapeer, Oakland, Macomb, and Northern have separate noncontributory defined benefit pension plans covering certain employees. The Corporation intends to annually contribute amounts deemed necessary, if any, to maintain the plans on a sound actuarial basis.

In 2012, the Corporation acquired Northern, which resulted in the Corporation assuming the existing defined benefit pension plan obligation for the employees of Northern that participate in the defined benefit pension plan sponsored by Northern. The plan's funded status at January 1, 2012 was \$95,686,000. Activity and funded status of the plan are included within the tables below.

The various defined benefit pension plans have taken steps to freeze accrual of future benefits or participation in the plans by new hires. The McLaren plan covering MHC, Flint, MHP, MHG, and MMG froze the plan for all nonbargaining group employees effective October 1, 2012 and froze the plan to bargaining units during 2013. No additional benefits will accrue for employees covered by this plan. Effective January 1, 2013, the Lansing plan froze benefits for a specific employee group in which no additional benefits will accrue. In addition, benefits were frozen for a specific employee group for the Lapeer plan effective May 27, 2013.

Substantially all employees of the Corporation also participate in defined contribution pension plans that provide benefits to eligible participants as determined according to the provisions of the plan agreements.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 13 - Pension and Other Postretirement Benefit Plans (Continued)**

MHC, Flint, Lansing, Macomb, and Bay also sponsor defined benefit postretirement plans that provide postretirement medical benefits summarized as follows:

**MHC and Flint** - The plan includes substantially all employees who have a minimum of 10 years of service after the age of 45. Employees who elect for early retirement can purchase benefits at the group rate through the plan. MHC and Flint currently fund the cost of these benefits as they are incurred. The retiree healthcare plan requires participant contributions and deductibles.

**Lansing** - The plan allows retirees to purchase health insurance coverage at group rates through Lansing. Individuals who retired before December 31, 1993 also receive a maximum monthly contribution for the purchase of health insurance coverage. Individuals who retire after January 1, 1994 and have attained the age of 65 do not receive postretirement medical benefits under this plan. Lansing does not prefund the plan and has the right to modify or terminate the plan in the future.

**Bay** - The plan provides certain health care and prescription drugs for employees who retired prior to October 1994. Bay funds the cost of these benefits as they are incurred.

**Macomb** - The plan provides medical savings account plan benefits to substantially all employees who are subject to certain collective bargaining unit agreements.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 13 - Pension and Other Postretirement Benefit Plans (Continued)

#### Obligations and Funded Status (in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
<b>Change in Benefit Obligation</b>				
Benefit obligation at beginning of year	\$ 1,044,825	\$ 792,087	\$ 50,148	\$ 43,483
Benefit obligation at acquisition -				
Northern	-	95,686	-	-
Service cost	11,118	15,437	1,163	971
Interest cost	46,212	47,007	2,184	2,364
Plan participants' contributions	-	-	917	628
Amendments	205	(21,317)	-	805
Actuarial (gain) loss	(63,847)	152,617	(7,705)	4,640
Curtailments	(28,964)	-	-	-
Benefits and expenses	(44,563)	(36,692)	(2,535)	(2,743)
Benefit obligation at end of year	964,986	1,044,825	44,172	50,148
<b>Change in Plan Assets</b>				
Fair value of plan assets at beginning of year	748,176	525,010	-	-
Fair value of plan assets at acquisition -				
Northern	-	70,219	-	-
Actual return on plan assets	99,856	110,060	-	-
Employer contributions	56,435	79,579	1,618	2,115
Plan participants' contributions	-	-	917	628
Benefits paid	(42,435)	(36,692)	(2,535)	(2,743)
Fair value of plan assets at end of year	862,032	748,176	-	-
Funded status at end of year	\$ (102,954)	\$ (296,649)	\$ (44,172)	\$ (50,148)

The accumulated benefit obligation for all defined benefit pension plans was \$961,022,904 and \$1,009,759,778 at September 30, 2013 and 2012, respectively.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 13 - Pension and Other Postretirement Benefit Plans (Continued)

Components of net periodic benefit cost and other changes in plan assets and benefit obligations are as follows (in thousands):

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
<b>Net Periodic Benefit Cost</b>				
Service cost	\$ 10,913	\$ 14,629	\$ 1,163	\$ 971
Interest cost	46,212	47,007	2,184	2,364
Expected return on plan assets	(65,915)	(56,631)	-	-
Amortization of prior service cost (credits)	21,712	18,632	433	(1,630)
Curtailment change	(835)	-	-	-
Total net periodic benefit cost	<u>\$ 12,087</u>	<u>\$ 23,637</u>	<u>\$ 3,780</u>	<u>\$ 1,705</u>
<b>Other Changes in Plan Assets and Benefit Obligations</b>				
Net gain (loss)	\$ 286,107	\$ 434,750	\$ (1,619)	\$ 6,371
Amortization of transition asset	(3)	(3)	(51)	(51)
Prior services credit	<u>(254)</u>	<u>(762)</u>	<u>2,066</u>	<u>2,575</u>
Total other changes in plan assets and benefit obligations	<u>\$ 285,850</u>	<u>\$ 433,985</u>	<u>\$ 396</u>	<u>\$ 8,895</u>

### Assumptions

Weighted average assumptions used to determine benefit obligations at September 30 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Discount rate	5.10 %	4.50 %	5.10 %	4.50 %

Weighted average assumptions used to determine net periodic benefit cost for the years ended September 30 are as follows:

	Pension Benefits		Other Postretirement Benefits	
	2013	2012	2013	2012
Discount rate	4.50 %	5.60 %	4.50 %	5.60 %
Expected long-term return on plan assets	8.50	8.50	-	-

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 13 - Pension and Other Postretirement Benefit Plans (Continued)

The actuarial assumption for rate of compensation increase is age graded for the benefit obligation at September 30, 2013 and 2012. The rate of compensation increase assumption for the net periodic benefit cost is age graded for 2013 and 2012.

The overall expected rate of return on plan assets represents a weighted average composite rate based on the historical rates of returns of the respective asset classes adjusted for anticipated market movements. The determination is influenced by the asset allocation, as well as the Corporation's investment policy. The Corporation's investment strategy is of a long-term nature and is intended to ensure that funds are available to pay benefits as they become due and to maximize the trust's total return at an appropriate level of investment risk.

#### Pension Plan Assets

The goals of the pension plan investment program are to fully fund the obligation to pay retirement benefits in accordance with the plan documents and to provide returns that, along with appropriate funding from the Corporation, maintain an asset/liability ratio that is in compliance with all applicable laws and regulations and ensures timely payment of retirement benefits.

The target allocation asset categories are 60 percent global equity, 30 percent global fixed income, 5 percent real assets, and 5 percent diversifying strategies.

The fair values of the Corporation's pension plan assets at September 30, 2013 and 2012, by major asset classes, are as follows (in thousands):

#### Fair Value Measurements at September 30, 2013

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Asset Classes</b>				
Mutual funds:				
Equity investments	\$ 245,793	\$ 245,793	\$ -	\$ -
Fixed-income investments	240,074	-	240,074	-
Equity investments:				
Common stock	171,763	171,763	-	-
Preferred stock	2,612	2,612	-	-
Foreign	193,766	193,766	-	-
Other:				
Money market fund	7,385	7,385	-	-
Bond fund	639	-	639	-
Total	<u>\$ 862,032</u>	<u>\$ 621,319</u>	<u>\$ 240,713</u>	<u>\$ -</u>

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 13 - Pension and Other Postretirement Benefit Plans (Continued)

#### Fair Value Measurements at September 30, 2012

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<b>Asset Classes</b>				
Mutual funds:				
Equity investments	\$ 126,238	\$ 126,238	\$ -	\$ -
Fixed-income investments	285,155	-	285,155	-
Equity investments:				
Common stock	175,734	175,734	-	-
Preferred stock	3,920	3,920	-	-
Foreign and other	144,814	144,814	-	-
Other:				
Money market fund	12,063	12,063	-	-
Bond fund	252	-	252	-
Total	<u>\$ 748,176</u>	<u>\$ 462,769</u>	<u>\$ 285,407</u>	<u>\$ -</u>

#### Cash Flow

#### Contributions

The Corporation expects to contribute \$50,002,000 to its pension plans and \$1,746,000 to its other postretirement benefit plans in 2014.

#### Estimated Future Benefit Payments

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid (in thousands):

Year	Pension Benefits	Postretirement Benefits
2014	\$ 44,764	\$ 2,228
2015	47,897	2,343
2016	51,112	2,451
2017	52,134	2,530
2018	55,323	2,577
2019-2023	334,144	13,933

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 14 - Professional and Other Liability Insurance**

The Corporation's professional malpractice liability coverage is provided by a multiprovider offshore captive insurance company (MICOL) on a retrospectively rated claims-made policy to Flint, Lansing, Lapeer, Bay, Macomb, Oakland, Central, Northern, MHG, and MMG. MICOL covers claims occurring and reported after March 31, 2004 for Flint, Lapeer, Lansing, and MMG, as well as claims occurring after 1979 but not reported as of April 1, 2003 for Lansing. Central began participating in MICOL on January 1, 2011. Northern began participating in MICOL on April 1, 2012.

MICOL has purchased commercial excess insurance coverage for claims exceeding specified amounts.

The Corporation records an estimate of the present value of the ultimate settlement cost of settling and defending professional liability claims based on projections from a consulting actuary. The estimate of losses is based on the covered entities' own past experience along with industry experience. This estimate includes a reserve for known claims and unreported incidents. A discount rate of 4 percent was used in determining the present value of the claims. Claims expected to be settled within one year and the related assets are recorded as a current liability and current asset, respectively, in the accompanying consolidated balance sheet.

For professional liability claims occurring prior to April 1, 2003, Flint, Lansing, MMG, and Lapeer maintained a program of self-insurance for professional and other liability claims. Revocable trusts are maintained with local banks as trustees to maintain funds for payment of any future settlements. Flint, Lansing, MMG, and Lapeer make necessary contributions to the trust funds, as determined by an independent actuary, to adequately provide for asserted or expected claims. The assets of the trust are included in the consolidated balance sheet with assets limited as to use (see Note 6).

Prior to July 1, 2006, Macomb participated in a separate multiprovider offshore captive insurance company. Macomb terminated its participation in this company effective July 1, 2006 and obtained insurance coverage through MICOL. MICOL covers claims reported after July 1, 2006. Macomb continues to be responsible for retrospective premiums which may be assessed by the former insurer.

Prior to July 1, 2008, Oakland participated in a separate multiprovider offshore captive insurance company. Oakland terminated its participation in this company effective July 1, 2008 and obtained insurance coverage through MICOL. MICOL covers claims reported after July 1, 2008. Oakland continues to be responsible for retrospective premiums which may be assessed by the former insurer.

Prior to January 1, 2011, Central was insured against potential professional liability claims under a claims-made policy, whereby only the claims reported to the insurance carrier during the policy period are covered regardless of when the incident giving rise to the claim occurred. MICOL covers claims reported after January 1, 2011.



# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 14 - Professional and Other Liability Insurance (Continued)

Prior to April 1, 2012, Northern was insured against potential professional liability claims through their captive insurance company, Petoskey Assurance Limited (PAL). PAL was a subsidiary of Northern. Effective May 31, 2012, PAL was acquired by MICOL and ceased to exist; however, the assets and liabilities transferred from PAL are being tracked separately by MICOL until all claims reported under PAL are settled. MICOL covers claims reported after April 1, 2012.

The detail of accrued professional and other liability for the self-insurance plans and the MICOL claims is as follows (in thousands):

	2013	2012
Total professional and other liability claims	\$ 93,863	\$ 90,922
Less current portion (Note 10)	(5,082)	(4,202)
Long-term portion (Note 11)	<u>\$ 88,781</u>	<u>\$ 86,720</u>

### Note 15 - Investment in Anthelio Healthcare Solutions, Inc.

The Corporation has an investment in Anthelio Healthcare Solutions, Inc. (Anthelio), along with other healthcare providers and investors. Anthelio provides outsourced information technology services, system support, and other services such as transcription and communications to healthcare providers, including the Corporation and its subsidiaries.

The investment in common stock of Anthelio is included in other assets at a basis of approximately \$33,000,000 and \$34,000,000 at September 30, 2013 and 2012, respectively. In 2010, the Corporation negotiated a five-year contract extension with Anthelio, for which they received an additional 30 million shares of Anthelio stock. A deferred liability has been recorded corresponding to the value of the shares received in the contract extension. The deferral is being recognized as a reduction to purchased services over the contract period.

During the years ended September 30, 2013 and 2012, the Corporation and its subsidiaries purchased services from Anthelio of approximately \$105,728,000 and \$100,285,000, respectively.

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 16 - Functional Expenses

The Corporation provides general healthcare services to residents within its geographic locations. Expenses related to providing these services are as follows (in thousands):

	2013	2012
Healthcare services	\$ 1,773,064	\$ 1,557,226
General and administrative	648,034	605,257
Total	<u>\$ 2,421,098</u>	<u>\$ 2,162,483</u>

### Note 17 - Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

**Cash and Cash Equivalents** - The carrying amount approximates fair value because of the short maturity of those instruments.

**Investments** - Fair values, which are the amounts reported in the consolidated balance sheet, are based on quoted market prices or quoted prices for similar assets in active markets.

**Accounts Receivable, Accounts Payable, and Accrued Liabilities** - The carrying amount reported in the consolidated balance sheet for accounts receivable, accounts payable, and accrued liabilities approximates its fair value.

**Estimated Third-party Payor Settlements - Net** - The carrying amount reported in the consolidated balance sheet for estimated third-party payor settlements - net approximates their fair value.

**Fair Value of Interest Rate Swap** - The fair value of the interest rate swap is based on a mark-to-market calculation of the notional amount of the interest rate swap.

**Long-term Debt** - The fair value of bonds is estimated based on current traded value. The fair value of remaining debt is estimated using discounted cash flow analysis, based on current investment borrowing rates for similar types of borrowing arrangements.

The estimated fair value of the Corporation's long-term debt is as follows (in thousands):

	Carrying Amount	Fair Value
2013 long-term debt	\$ 632,060	\$ 650,832
2012 long-term debt	650,480	688,143

# McLaren Health Care Corporation and Subsidiaries

## Notes to Consolidated Financial Statements September 30, 2013 and 2012

### Note 18 - Acquisitions

On January 1, 2012, the Corporation acquired Northern Michigan Regional Health System (NMRHS). At the time of acquisition, NMRHS's name was changed to McLaren Northern Michigan (Northern). The Corporation's board of directors provides governance oversight of Northern's net assets and operations. The 2012 values in the accompanying consolidated financial statements represent the results of operations for the nine-month period as of the acquisition date of January 1, 2012 and ending on September 30, 2012, the Corporation's fiscal year end.

The transaction was accounted for as an acquisition in accordance with ASC Topic 958-805, *Not-for-Profit Entities: Mergers and Acquisitions*. The assets and liabilities of Northern were adjusted to fair value as of January 1, 2012. The fair value of the net assets on January 1, 2012 acquired from Northern, including the Northern Michigan Regional Health System Foundation, was approximately \$89,588,000. The net assets, based on fair value calculations, are reflected as inherent contributions due to the acquisition in the consolidated statement of operations as of January 1, 2012. The inherent contributions are the result of the lack of financial contributions in the acquisition. Significant intercompany accounts and transactions have been eliminated in the consolidation of the Corporation's financial statements.

The amount of Northern's excess of revenue over expenses for the nine-month period ended September 30, 2012 that is included in the Corporation's financial statements is \$8,767,000.

The Corporation acquired cash of \$17,742,000, accounts receivable of \$18,587,000, cost report receivables of \$388,000, other current assets of \$11,513,000, property, plant, and equipment of \$77,417,000, other assets of \$54,965,000, accounts payable of \$7,199,000, debt of \$34,187,000, other liabilities of \$44,217,000, and cost report settlements of \$5,421,000 at January 1, 2012.

On August 1, 2012, McLaren Health Plan (MHP) purchased CareSource Michigan (CSM). At the time of the acquisition of CSM by MHP, MHP merged into CSM, creating one consolidated entity under the name of McLaren Health Plan. The Corporation's board of directors provides governance oversight of MHP's net assets and operations. The 2012 values in the accompanying consolidated financial statements represent the results of operations for the two-month period as of the CSM acquisition date of August 1, 2012 and ending on September 30, 2012, the Corporation's fiscal year end.

The transaction has been accounted for as an acquisition in accordance with ASC Topic 958-805, *Not-for-Profit Entities: Mergers and Acquisitions*. MHP paid \$27,000,000 to acquire CSM in which intangible assets were acquired.

# **McLaren Health Care Corporation and Subsidiaries**

## **Notes to Consolidated Financial Statements September 30, 2013 and 2012**

### **Note 19 - Subsequent Event**

In November 2013, the Corporation entered into an acquisition agreement with the Barbara Ann Karmanos Cancer Institute (Karmanos), pursuant to which MHC would become the sole member of Karmanos. The board of directors of the Corporation and Karmanos have approved the agreement. Karmanos is a not-for-profit organization which is dedicated to the delivery of cancer care services, the treatment and care of cancer patients, and the prevention of cancer. The effective date of the transaction is January 1, 2014. The transaction will be accounted for as an acquisition in accordance with ASC Topic 958-805. Karmanos has total assets of approximately \$121 million and annual operating revenue of approximately \$230 million.

In December 2013, the Corporation entered into a letter of intent with Blue Water Health Services (BWHS) and its subsidiaries, including Port Huron Hospital, whereby BWHS would become a subsidiary of the Corporation. Finalization of the transaction is anticipated after successful completion of due diligence.

## **Additional Information**

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Independent Auditor's Report on Additional Information

To the Board of Directors  
McLaren Health Care Corporation  
and Subsidiaries

We have audited the consolidated financial statements of McLaren Health Care Corporation and Subsidiaries as of and for the years ended September 30, 2013 and 2012. Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

*Plante & Moran, PLLC*

January 8, 2014

# McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 28,044	\$ 20,206	\$ 7,295	\$ 12,910	\$ 15,944	\$ 7,141	\$ 36,208
Collateral from securities lending	3,648	-	-	-	-	-	-
Accounts receivable	-	68,650	35,529	13,419	22,999	16,118	7,122
Cost report settlements receivable	-	-	381	608	128	-	-
Assets limited as to use for payment of current liabilities	-	1,000	-	500	-	-	1,580
Other current assets	24,388	9,651	5,978	3,655	9,102	13,554	4,217
Total current assets	56,080	99,507	49,183	31,092	48,173	36,813	49,127
<b>Property and Equipment - Net</b>	119,594	198,247	99,830	23,925	104,752	120,028	34,618
<b>Other Assets</b>	138,938	165,585	192,813	35,565	93,685	181,326	30,537
Total assets	<u>\$ 314,612</u>	<u>\$ 463,339</u>	<u>\$ 341,826</u>	<u>\$ 90,582</u>	<u>\$ 246,610</u>	<u>\$ 338,167</u>	<u>\$ 114,282</u>
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 455	\$ 2,734	\$ 949	\$ 1,005	\$ 3,079	\$ 3,562	\$ 664
Notes payable	-	-	-	-	1,000	-	-
Accounts payable	16,428	17,641	11,730	3,551	16,311	14,095	17,722
Cost report settlements payable	-	807	5,950	698	1,264	5,018	6,284
Accrued and other liabilities	22,471	23,422	15,850	5,443	14,942	16,002	6,551
Total current liabilities	39,354	44,604	34,479	10,697	36,596	38,677	31,221
<b>Long-term Debt - Net of current portion</b>	10,011	187,057	50,705	38,284	106,315	146,286	35,654
<b>Fair Value of Interest Rate Swap Agreements</b>	31,501	-	-	-	-	-	-
<b>Other Liabilities</b>	113,270	64,404	38,058	9,187	24,313	17,579	8,749
Total liabilities	194,136	296,065	123,242	58,168	167,224	202,542	75,624
<b>Net Assets</b>							
Unrestricted	120,421	164,082	218,071	32,414	79,386	135,312	37,568
Temporarily restricted	55	3,107	41	-	-	313	1,090
Permanently restricted	-	85	472	-	-	-	-
Total net assets	120,476	167,274	218,584	32,414	79,386	135,625	38,658
Total liabilities and net assets	<u>\$ 314,612</u>	<u>\$ 463,339</u>	<u>\$ 341,826</u>	<u>\$ 90,582</u>	<u>\$ 246,610</u>	<u>\$ 338,167</u>	<u>\$ 114,282</u>

**Consolidating Balance Sheet**  
**September 30, 2013**  
(In thousands)

Central	Northern	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminating Entries	Total
\$ 12,236	\$ 6,972	\$ 213	\$ 350	\$ 94,730	\$ 1,932	\$ 11,398	\$ 5,795	\$ -	\$ 261,374
-	-	-	-	-	-	-	-	-	3,648
9,237	27,280	7,532	12,617	5,057	1,393	-	453	(7,271)	220,135
-	438	-	-	-	-	-	-	-	1,555
-	249	-	-	-	-	-	-	-	3,329
2,980	10,626	1,500	9,120	746	89	2,824	38	(25,427)	73,041
24,453	45,565	9,245	22,087	100,533	3,414	14,222	6,286	(32,698)	563,082
27,313	85,539	21,538	16,023	4,305	1,523	-	8,968	-	866,203
27,153	57,840	11,043	16,876	47,319	18,167	68,585	91,586	(100,381)	1,076,637
<b>\$ 78,919</b>	<b>\$ 188,944</b>	<b>\$ 41,826</b>	<b>\$ 54,986</b>	<b>\$ 152,157</b>	<b>\$ 23,104</b>	<b>\$ 82,807</b>	<b>\$ 106,840</b>	<b>\$ (133,079)</b>	<b>\$2,505,922</b>
\$ 1,197	\$ 1,825	\$ -	\$ 519	\$ -	\$ -	\$ -	\$ -	\$ (519)	\$ 15,470
3,000	668	-	-	-	-	-	-	-	4,668
2,295	21,036	2,843	6,190	75,290	378	46	1,108	(30,168)	176,496
2,221	7,060	-	-	-	976	-	-	-	30,278
5,943	11,835	4,829	19,455	6,091	524	-	240	(15,010)	138,588
14,656	42,424	7,672	26,164	81,381	1,878	46	1,348	(45,697)	365,500
9,893	32,385	-	-	-	-	-	-	-	616,590
-	-	-	-	-	-	-	-	-	31,501
1,676	7,012	6,303	2,274	424	-	62,949	251	(85,407)	271,042
26,225	81,821	13,975	28,438	81,805	1,878	62,995	1,599	(131,104)	1,284,633
51,781	107,123	27,851	26,548	70,352	21,226	19,812	36,596	(1,975)	1,146,568
761	-	-	-	-	-	-	19,005	-	24,372
152	-	-	-	-	-	-	49,640	-	50,349
52,694	107,123	27,851	26,548	70,352	21,226	19,812	105,241	(1,975)	1,221,289
<b>\$ 78,919</b>	<b>\$ 188,944</b>	<b>\$ 41,826</b>	<b>\$ 54,986</b>	<b>\$ 152,157</b>	<b>\$ 23,104</b>	<b>\$ 82,807</b>	<b>\$ 106,840</b>	<b>\$ (133,079)</b>	<b>\$2,505,922</b>



# McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
<b>Assets</b>							
<b>Current Assets</b>							
Cash and cash equivalents	\$ 58,700	\$ 19,401	\$ 9,220	\$ 7,515	\$ 12,149	\$ 7,067	\$ 33,583
Collateral from securities lending	16,173	-	-	-	-	-	-
Accounts receivable	-	78,360	36,603	12,269	32,837	16,472	4,832
Cost report settlements receivable	-	432	220	1,397	2,874	252	-
Assets limited as to use for payment of current liabilities	-	1,000	-	500	786	-	1,577
Other current assets	26,228	7,364	3,384	3,649	5,229	5,666	3,089
Total current assets	101,101	106,557	49,427	25,330	53,875	29,457	43,081
<b>Property and Equipment - Net</b>	114,848	191,895	92,723	25,667	111,952	124,415	37,121
<b>Other Assets</b>	88,848	156,656	169,137	32,846	93,892	153,848	28,226
Total assets	<u>\$ 304,797</u>	<u>\$ 455,108</u>	<u>\$ 311,287</u>	<u>\$ 83,843</u>	<u>\$ 259,719</u>	<u>\$ 307,720</u>	<u>\$ 108,428</u>
<b>Liabilities and Net Assets</b>							
<b>Current Liabilities</b>							
Current portion of long-term debt	\$ 495	\$ 4,173	\$ 685	\$ 979	\$ 3,170	\$ 3,425	\$ 646
Notes payable	-	-	-	-	2,000	-	3,900
Accounts payable	17,143	18,834	11,912	3,762	21,557	12,416	12,825
Cost report settlements payable	-	18,650	3,610	-	1,091	2,251	4,137
Accrued and other liabilities	31,526	22,581	16,431	5,828	16,530	15,413	6,681
Total current liabilities	49,164	64,238	32,638	10,569	44,348	33,505	28,189
<b>Long-term Debt - Net of current portion</b>	10,603	189,896	48,897	39,285	109,887	149,875	36,318
<b>Fair Value of Interest Rate Swap Agreements</b>	45,086	-	-	-	-	-	-
<b>Other Liabilities</b>	116,301	139,707	58,042	21,962	57,230	31,930	20,162
Total liabilities	221,154	393,841	139,577	71,816	211,465	215,310	84,669
<b>Net Assets</b>							
Unrestricted	83,643	58,146	171,196	12,027	48,254	92,118	22,948
Temporarily restricted	-	3,121	42	-	-	292	811
Permanently restricted	-	-	472	-	-	-	-
Total net assets	83,643	61,267	171,710	12,027	48,254	92,410	23,759
Total liabilities and net assets	<u>\$ 304,797</u>	<u>\$ 455,108</u>	<u>\$ 311,287</u>	<u>\$ 83,843</u>	<u>\$ 259,719</u>	<u>\$ 307,720</u>	<u>\$ 108,428</u>

**Consolidating Balance Sheet**  
**September 30, 2012**  
(In thousands)

Central	Northern	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminating Entries	Total
\$ 4,943	\$ 15,113	\$ 539	\$ 122	\$ 92,629	\$ 1,174	\$ 8,246	\$ 4,640	\$ -	\$ 275,041
-	-	-	-	-	-	-	-	-	16,173
14,249	27,870	5,845	15,636	5,622	1,555	-	443	(2,634)	249,959
-	93	-	-	-	-	-	-	(992)	4,276
-	234	-	-	-	-	-	-	-	4,097
2,356	7,850	2,192	8,862	731	92	2,383	62	(28,898)	50,239
21,548	51,160	8,576	24,620	98,982	2,821	10,629	5,145	(32,524)	599,785
29,868	86,950	22,569	21,389	3,453	1,415	-	367	-	864,632
27,548	42,055	10,286	14,154	42,308	15,073	67,438	88,406	(94,676)	936,045
<b>\$ 78,964</b>	<b>\$ 180,165</b>	<b>\$ 41,431</b>	<b>\$ 60,163</b>	<b>\$ 144,743</b>	<b>\$ 19,309</b>	<b>\$ 78,067</b>	<b>\$ 93,918</b>	<b>\$ (127,200)</b>	<b>\$2,400,462</b>
\$ 1,054	\$ 2,305	\$ -	\$ 651	\$ -	\$ -	\$ -	\$ -	\$ (519)	\$ 17,064
3,000	1,002	-	-	-	-	-	-	-	9,902
2,527	18,443	325	3,985	76,019	338	34	1,085	(27,279)	173,926
793	7,001	-	-	-	758	-	-	(992)	37,299
6,031	9,849	3,793	21,475	3,453	458	-	373	(17,349)	143,073
13,405	38,600	4,118	26,111	79,472	1,554	34	1,458	(46,139)	381,264
11,247	34,568	-	3,359	-	-	-	-	(519)	633,416
-	-	-	-	-	-	-	-	-	45,086
1,597	23,202	11,753	3,351	1,329	-	61,139	573	(78,567)	469,711
26,249	96,370	15,871	32,821	80,801	1,554	61,173	2,031	(125,225)	1,529,477
51,821	83,795	25,560	27,342	63,942	17,755	16,894	27,668	(1,975)	801,134
746	-	-	-	-	-	-	17,345	-	22,357
148	-	-	-	-	-	-	46,874	-	47,494
52,715	83,795	25,560	27,342	63,942	17,755	16,894	91,887	(1,975)	870,985
<b>\$ 78,964</b>	<b>\$ 180,165</b>	<b>\$ 41,431</b>	<b>\$ 60,163</b>	<b>\$ 144,743</b>	<b>\$ 19,309</b>	<b>\$ 78,067</b>	<b>\$ 93,918</b>	<b>\$ (127,200)</b>	<b>\$2,400,462</b>

# McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
<b>Unrestricted Revenue, Gains, and Other Support</b>							
Patient service revenue	\$ -	\$ 1,413,816	\$ 825,060	\$ 397,415	\$ 884,316	\$ 773,480	\$ 343,299
Revenue deductions	-	(970,866)	(554,508)	(276,802)	(579,542)	(480,419)	(175,255)
Net patient service revenue	-	442,950	270,552	120,613	304,774	293,061	168,044
Provision for bad debts	-	(25,167)	(12,710)	(11,639)	(19,670)	(10,853)	(18,658)
Net patient service revenue less provision for bad debts	-	417,783	257,842	108,974	285,104	282,208	149,386
Other	125,989	13,122	9,651	3,989	8,139	8,237	4,442
Net assets released from restrictions used for operations	-	-	-	-	-	534	556
Total unrestricted revenue, gains, and other support	125,989	430,905	267,493	112,963	293,243	290,979	154,384
<b>Expenses</b>							
Salaries and wages	21,150	175,559	117,422	46,147	121,499	114,620	61,267
Employee benefits and payroll taxes	5,458	53,455	25,333	12,787	27,704	25,921	12,481
Supplies	266	72,979	54,313	16,469	59,334	39,213	29,862
Outside services	71,851	39,778	22,322	5,651	35,164	55,050	28,854
Professional and other liability costs	279	772	722	348	792	553	1,136
Healthcare costs	-	-	-	-	-	-	-
Depreciation and amortization	16,683	20,539	10,497	5,260	14,306	17,205	5,781
Interest expense	444	5,877	2,409	1,871	4,645	6,923	1,647
Other	7,643	40,970	27,744	18,033	33,203	13,465	8,654
Total expenses	123,774	409,929	260,762	106,566	296,647	272,950	149,682
<b>Operating Income (Loss)</b>	2,215	20,976	6,731	6,397	(3,404)	18,029	4,702
<b>Other Income (Loss)</b>							
Investment income (loss)	1,848	2,888	3,808	606	1,646	2,787	395
Change in interest rate swap agreements	10,789	-	-	-	-	-	-
Change in unrealized gains and losses on investments	11,018	17,371	21,227	3,175	9,192	14,038	2,328
Total other income (loss)	23,655	20,259	25,035	3,781	10,838	16,825	2,723
<b>Excess of Revenue Over (Under) Expenses</b>	25,870	41,235	31,766	10,178	7,434	34,854	7,425
<b>Net Assets Transferred from (to) Affiliate</b>	7,762	(1,599)	(822)	(609)	(1,248)	(1,134)	(494)
<b>Other</b>	-	-	-	-	-	-	1
<b>Pension-related Changes Other Than Net Periodic Benefit Cost</b>	3,146	66,079	15,929	10,818	24,946	9,474	7,688
<b>Net Assets Released from Restriction</b>	-	221	2	-	-	-	-
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 36,778</u>	<u>\$ 105,936</u>	<u>\$ 46,875</u>	<u>\$ 20,387</u>	<u>\$ 31,132</u>	<u>\$ 43,194</u>	<u>\$ 14,620</u>

**Consolidating Statement of Operations**  
**Year Ended September 30, 2013**  
(In thousands)

Central	Northern	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminations	Total
\$ 258,790 (171,666)	\$ 607,782 (353,723)	\$ 12,083 (5,992)	\$ 106,570 (21,435)	\$ - -	\$ 27,068 (17,543)	\$ - -	\$ - -	\$ (315,551) 266,553	\$ 5,334,128 (3,341,198)
87,124 (7,625)	254,059 (6,685)	6,091 (3,856)	85,135 (2,211)	- -	9,525 (133)	- -	- -	(48,998) -	1,992,930 (119,207)
79,499	247,374	2,235	82,924	-	9,392	-	-	(48,998)	1,873,723
2,305	8,177	14,342	684	522,439	34	10,512	4,333	(126,073)	610,322
-	-	-	-	-	-	-	1,507	-	2,597
81,804	255,551	16,577	83,608	522,439	9,426	10,512	5,840	(175,071)	2,486,642
38,229	100,947	9,486	30,936	12,684	3,978	-	1,680	(20,305)	835,299
7,211	15,492	3,149	8,486	-	1,076	-	34	(6,452)	192,135
11,744	59,102	423	30,035	-	899	-	43	(250)	374,432
6,709	12,307	3,449	4,635	8,423	1,608	-	248	-	296,049
-	1,542	1,016	-	-	-	10,198	-	(1,164)	16,194
-	-	-	-	380,988	-	-	-	(46,879)	334,109
5,530	8,317	1,398	2,402	1,701	151	-	-	(16,391)	93,379
289	1,206	-	58	-	-	-	-	(424)	24,945
13,820	47,119	(369)	8,472	113,787	591	314	4,316	(83,206)	254,556
83,532	246,032	18,552	85,024	517,583	8,303	10,512	6,321	(175,071)	2,421,098
(1,728)	9,519	(1,975)	(1,416)	4,856	1,123	-	(481)	-	65,544
301	926	(1)	300	639	370	-	592	-	17,105
-	-	-	-	-	-	-	-	-	10,789
1,584	1,672	-	1,780	256	1,978	2,918	3,569	-	92,106
1,885	2,598	(1)	2,080	895	2,348	2,918	4,161	-	120,000
157	12,117	(1,976)	664	5,751	3,471	2,918	3,680	-	185,544
(314)	(1,227)	(248)	(2,177)	(1)	-	-	2,111	-	-
(25)	-	-	-	-	-	-	(301)	-	(325)
-	12,438	4,515	719	660	-	-	-	-	156,412
142	-	-	-	-	-	-	3,438	-	3,803
<u>\$ (40)</u>	<u>\$ 23,328</u>	<u>\$ 2,291</u>	<u>\$ (794)</u>	<u>\$ 6,410</u>	<u>\$ 3,471</u>	<u>\$ 2,918</u>	<u>\$ 8,928</u>	<u>\$ -</u>	<u>\$ 345,434</u>

# McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
<b>Unrestricted Revenue, Gains, and Other Support</b>							
Patient service revenue	\$ -	\$ 1,290,577	\$ 762,059	\$ 362,537	\$ 855,066	\$ 705,392	\$ 330,010
Revenue deductions	-	(870,452)	(498,989)	(252,544)	(548,657)	(428,112)	(167,140)
Net patient service revenue	-	420,125	263,070	109,993	306,409	277,280	162,870
Provision for bad debts	-	(22,469)	(13,708)	(10,738)	(18,188)	(13,165)	(17,665)
Net patient service revenue less provision for bad debts	-	397,656	249,362	99,255	288,221	264,115	145,205
Other	110,606	7,067	15,062	2,133	6,136	6,621	3,792
Net assets released from restrictions used for operations	-	-	-	-	-	568	643
Total unrestricted revenue, gains, and other support	110,606	404,723	264,424	101,388	294,357	271,304	149,640
<b>Expenses</b>							
Salaries and wages	19,408	166,055	114,103	41,236	112,455	106,419	56,730
Employee benefits and payroll taxes	4,775	45,858	28,273	11,427	28,171	23,525	11,397
Supplies	402	70,704	54,741	16,230	62,214	43,018	27,434
Outside services	62,046	37,275	22,086	5,541	34,613	50,202	31,521
Professional and other liability costs	185	1,805	123	295	1,436	(1,140)	1,837
Healthcare costs	-	-	-	-	-	-	-
Depreciation and amortization	15,005	21,655	10,641	5,464	13,775	16,478	6,072
Interest expense	601	6,055	2,351	1,927	5,499	6,800	1,741
Other	6,184	37,632	25,970	16,319	26,294	11,653	8,145
Total expenses	108,606	387,039	258,288	98,439	284,457	256,955	144,877
<b>Operating Income (Loss)</b>	2,000	17,684	6,136	2,949	9,900	14,349	4,763
<b>Other Income (Loss)</b>							
Investment income (loss)	743	2,747	3,349	468	1,726	2,163	342
Change in interest rate swap agreements	3,896	-	-	-	-	-	-
Change in unrealized gains and losses on investments	4,998	19,608	22,234	3,429	10,698	11,617	2,428
Inherent contribution from acquisition of Northern	-	-	-	-	-	-	-
Loss on extinguishment of debt	(226)	(199)	-	(15)	(833)	-	-
Total other income (loss)	9,411	22,156	25,583	3,882	11,591	13,780	2,770
<b>Excess of Revenue Over (Under) Expenses</b>	11,411	39,840	31,719	6,831	21,491	28,129	7,533
<b>Net Assets Transferred from (to) Affiliate</b>	12,252	(497)	(1,856)	(1,709)	(7,809)	(2,701)	1,509
<b>Other</b>	-	-	-	-	-	-	(53)
<b>Pension-related Changes Other Than Net Periodic Benefits</b>	315	(32,513)	(7,489)	(3,505)	(4,512)	(8,879)	(3,106)
<b>Net Assets Released from Restriction</b>	-	92	-	-	-	-	393
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 23,978</u>	<u>\$ 6,922</u>	<u>\$ 22,374</u>	<u>\$ 1,617</u>	<u>\$ 9,170</u>	<u>\$ 16,549</u>	<u>\$ 6,276</u>

# **Consolidating Statement of Operations** **Year Ended September 30, 2012** **(in thousands)**

Central	Northern	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminating Entries	Total
\$ 231,834 (144,317)	\$ 420,784 (236,865)	\$ 65,220 (23,150)	\$ 117,377 (27,370)	\$ - -	\$ 22,639 (14,756)	\$ - -	\$ - -	\$ (244,507) 207,923	\$ 4,918,988 (3,004,429)
87,517 (7,014)	183,919 (6,469)	42,070 (976)	90,007 (3,640)	- -	7,883 (73)	- -	- -	(36,584) -	1,914,559 (114,105)
80,503 1,667 -	177,450 7,752 -	41,094 2,753 -	86,367 518 -	- 357,716 -	7,810 18 -	- 7,450 -	- 3,944 1,042	(36,584) (113,306) -	1,800,454 419,929 2,253
82,170	185,202	43,847	86,885	357,716	7,828	7,450	4,986	(149,890)	2,222,636
39,732	71,730	33,681	34,309	10,853	3,919	-	956	(17,848)	793,738
7,336	12,743	7,540	9,884	-	1,091	-	181	(5,617)	186,584
13,995	46,053	3,255	34,322	-	763	-	77	(391)	372,817
7,792	8,077	1,648	4,460	5,276	1,158	-	275	-	271,970
-	624	967	-	-	-	7,138	-	(1,164)	12,106
-	-	-	-	243,991	-	-	-	(33,945)	210,046
5,168	7,305	2,163	2,023	424	132	-	6	(15,260)	91,051
329	1,071	-	160	-	-	-	12	(558)	25,988
11,038	30,545	4,324	11,262	79,504	572	312	3,536	(75,107)	198,183
85,390	178,148	53,578	96,420	340,048	7,635	7,450	5,043	(149,890)	2,162,483
(3,220)	7,054	(9,731)	(9,535)	17,668	193	-	(57)	-	60,153
372	466	(1)	264	485	325	-	580	-	14,029
-	-	-	-	-	-	-	-	-	3,896
2,121	1,492	-	1,853	268	2,116	7,970	3,146	-	93,978
-	70,663	-	-	-	-	-	2,671	-	73,334
-	(748)	-	-	-	-	-	-	-	(2,021)
2,493	71,873	(1)	2,117	753	2,441	7,970	6,397	-	183,216
(727)	78,927	(9,732)	(7,418)	18,421	2,634	7,970	6,340	-	243,369
3,695	9,039	10,867	(205)	(21,900)	-	-	(685)	-	-
-	-	-	-	-	-	-	-	-	(53)
-	(4,171)	(2,272)	(850)	(22)	-	-	-	-	(67,004)
269	-	-	-	-	-	-	1,817	-	2,571
<b>\$ 3,237</b>	<b>\$ 83,795</b>	<b>\$ (1,137)</b>	<b>\$ (8,473)</b>	<b>\$ (3,501)</b>	<b>\$ 2,634</b>	<b>\$ 7,970</b>	<b>\$ 7,472</b>	<b>\$ -</b>	<b>\$ 178,883</b>

# McLaren Health Care Corporation and Subsidiaries

## Consolidating Balance Sheet - Credit Group September 30, 2013 (in thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 142,780	\$ 118,594	\$ -	\$ 261,374
Collateral from securities lending	3,648	-	-	3,648
Accounts receivable	227,815	37,422	(45,102)	220,135
Cost report settlements receivable	1,670	(115)	-	1,555
Assets limited as to use for payment of current liabilities	3,329	-	-	3,329
Other current assets	67,534	19,865	(14,358)	73,041
Total current assets	446,776	175,766	(59,460)	563,082
<b>Property and Equipment - Net</b>	812,500	53,703	-	866,203
<b>Other Assets</b>	984,398	202,897	(110,658)	1,076,637
Total assets	<u>\$ 2,243,674</u>	<u>\$ 432,366</u>	<u>\$ (170,118)</u>	<u>\$ 2,505,922</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 15,470	\$ 519	\$ (519)	\$ 15,470
Notes payable	4,000	668	-	4,668
Accounts payable	96,007	137,724	(57,235)	176,496
Cost report settlements payable	29,302	976	-	30,278
Accrued and other liabilities	119,453	33,840	(14,705)	138,588
Total current liabilities	264,232	173,727	(72,459)	365,500
<b>Long-term Debt - Net of current portion</b>	616,590	-	-	616,590
<b>Fair Value of Interest Rate Swap Agreements</b>	31,501	-	-	31,501
<b>Other Liabilities</b>	284,248	72,201	(85,407)	271,042
Total liabilities	1,196,571	245,928	(157,866)	1,284,633
<b>Net Assets</b>				
Unrestricted	997,547	161,273	(12,252)	1,146,568
Temporarily restricted	9,038	15,334	-	24,372
Permanently restricted	40,518	9,831	-	50,349
Total liabilities and net assets	<u>\$ 2,243,674</u>	<u>\$ 432,366</u>	<u>\$ (170,118)</u>	<u>\$ 2,505,922</u>

# McLaren Health Care Corporation and Subsidiaries

## Consolidating Statement of Operations - Credit Group Year Ended September 30, 2013 (in thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
<b>Unrestricted Revenue, Gains, and Other Support</b>				
Patient service revenue	\$ 5,401,129	\$ 248,550	\$ (315,551)	\$ 5,334,128
Revenue deductions	(3,524,035)	(83,716)	266,553	(3,341,198)
Net patient service revenue	1,877,094	164,834	(48,998)	1,992,930
Provision for bad debts	(112,309)	(6,898)	-	(119,207)
Net patient service revenue less provision for bad debts	1,764,785	157,936	(48,998)	1,873,723
Other	111,393	517,281	(18,352)	610,322
Net assets released from restrictions used for operations	1,573	1,024	-	2,597
Total unrestricted revenue, gains, and other support	1,877,751	676,241	(67,350)	2,486,642
<b>Expenses</b>				
Salaries and wages	745,554	92,058	(2,313)	835,299
Employee benefits and payroll taxes	184,725	8,145	(735)	192,135
Supplies	322,629	51,828	(25)	374,432
Outside services	272,037	24,012	-	296,049
Professional and other liability costs	5,533	11,219	(558)	16,194
Healthcare costs	-	380,988	(46,879)	334,109
Depreciation and amortization	88,316	6,534	(1,471)	93,379
Interest expense	24,811	183	(49)	24,945
Other	165,759	104,117	(15,320)	254,556
Total expenses	1,809,364	679,084	(67,350)	2,421,098
<b>Operating Income (Loss)</b>	68,387	(2,843)	-	65,544
<b>Other Income</b>				
Investment income	15,364	1,741	-	17,105
Change in interest rate swap agreements	10,789	-	-	10,789
Change in unrealized gains and losses on investments	82,939	9,167	-	92,106
Total other income	109,092	10,908	-	120,000
<b>Excess of Revenue Over Expenses</b>	177,479	8,065	-	185,544
<b>Net Assets Transferred from (to) Affiliate</b>	18,577	(18,577)	-	-
<b>Other</b>	(151)	(174)	-	(325)
<b>Pension-related Changes Other Than Net Periodic Benefit Cost</b>	150,518	5,894	-	156,412
<b>Net Assets Released from Restriction</b>	1,485	2,318	-	3,803
<b>Increase (Decrease) in Unrestricted Net Assets</b>	<u>\$ 347,908</u>	<u>\$ (2,474)</u>	<u>\$ -</u>	<u>\$ 345,434</u>