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Form **990**

Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

▶ Do not enter social security numbers on this form as it may be made public.

▶ Information about Form 990 and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2014

Open to Public Inspection

A For the 2014 calendar year, or tax year beginning JUL 1, 2014 and ending SEP 30, 2014

B Check if applicable:
- ☐ Address change
- ☐ Name change
- ☐ Initial return
- ☐ Final return/ terminated
- ☐ Amended return
- ☐ Application pending

C Name of organization
PORT HURON HOSPITAL
Doing business as MCLAREN PORT HURON

Number and street (or P.O. box if mail is not delivered to street address) 1221 PINE GROVE AVENUE

Room/suite

City or town, state or province, country, and ZIP or foreign postal code PORT HURON, MI 48060

F Name and address of principal officer: THOMAS DEFAUW
SAME AS C ABOVE

D Employer identification number
38-1369611

E Telephone number
810-987-5000

G Gross receipts $ 47,288,070.

H(a) Is this a group return for subordinates? ☐ Yes ☒ No

H(b) Are all subordinates included? ☐ Yes ☐ No
If "No," attach a list (see instructions)

H(c) Group exemption number ▶

I Tax-exempt status: ☒ 501(c)(3) ☐ 501(c)( ) ◀ (insert no.) ☐ 4947(a)(1) or ☐ 527

J Website: ▶ WWW.PORTHURONHOSPITAL.ORG

K Form of organization: ☒ Corporation ☐ Trust ☐ Association ☐ Other ▶

L Year of formation: 1879 M State of legal domicile: MI

Part I Summary

Activities & Governance	1 Briefly describe the organization's mission or most significant activities: PROVISION OF ACUTE MEDICAL CARE. TO BE A LEADER IN HEALING, AND YOUR PARTNER IN HEALTH.		
	2 Check this box ▶ ☐ if the organization discontinued its operations or disposed of more than 25% of its net assets		
	3 Number of voting members of the governing body (Part VI, line 1a)	3	18
	4 Number of independent voting members of the governing body (Part VI, line 1b)	4	16
	5 Total number of individuals employed in calendar year 2014 (Part V, line 2a)	5	0
	6 Total number of volunteers (estimate if necessary)	6	194
	7a Total unrelated business revenue from Part VIII, column (C), line 12	7a	206,539.
	b Net unrelated business taxable income from Form 990-T, line 34	7b	-107,362.

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		Prior Year	Current Year
Revenue	8 Contributions and grants (Part VIII, line 1h)	1,388,002.	1,354,056.
	9 Program service revenue (Part VIII, line 2g)	172,614,254.	44,152,212.
	10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)	2,954,129.	286,496.
	11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	2,001,626.	1,494,298.
	12 Total revenue - add lines 8 through 11 (must equal Part VIII, column (A), line 12)	178,958,011.	47,287,062.
Expenses	13 Grants and similar amounts paid (Part IX, column (A), lines 1-3)	0.	0.
	14 Benefits paid to or for members (Part IX, column (A), line 4)	0.	0.
	15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5-10)	79,516,594.	20,211,682.
	16a Professional fundraising fees (Part IX, column (A), line 11e)	0.	0.
	b Total fundraising expenses (Part IX, column (D), line 25) ▶ 0.		
	17 Other expenses (Part IX, column (A), lines 11a-11d, 11f-24e)	92,940,877.	22,967,844.
	18 Total expenses. Add lines 13-17 (must equal Part IX, column (A), line 25)	172,457,471.	43,179,526.
	19 Revenue less expenses. Subtract line 18 from line 12	6,500,540.	4,107,536.

		Beginning of Current Year	End of Year
Net Assets or Fund Balances	20 Total assets (Part X, line 16)	141,223,420.	166,551,621.
	21 Total liabilities (Part X, line 26)	74,593,108.	100,712,520.
	22 Net assets or fund balances. Subtract line 21 from line 20	66,630,312.	65,839,101.

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Sign Here

▶ Signature of officer John Liston — Date 7/31/15

▶ JOHN LISTON, CFO
Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name: CAROL LALONDE, CPA	Preparer's signature: Carol Lalonde	Date: 7/31/15	Check ☐ if self-employed	PTIN: P00181637
Firm's name ▶ PLANTE & MORAN, PLLC			Firm's EIN ▶ 38-1357951	
Firm's address ▶ 750 TRADE CENTRE WAY, STE 300 PORTAGE, MI 49002			Phone no. (269) 567-4500	

May the IRS discuss this return with the preparer shown above? (see instructions) ☒ Yes ☐ No

11 321 20

Part III Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III ... X

1 Briefly describe the organization's mission

PROVISION OF ACUTE MEDICAL CARE

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 $ 32,129,064. including grants of $ _____) (Revenue $ 45,439,971.)

FOR THE SHORT YEAR OF JULY 1, 2014 TO SEPTEMBER 30, 2014, PORT HURON HOSPITAL PROVIDED HEALTH CARE SERVICES TO THE POOR AND TO THE BROADER COMMUNITY FOR WHICH THE COST OF PROVIDING SUCH SERVICES EXCEEDED THE RELATED REVENUE. CHARITY CARE IN THE AMOUNT OF $803,679 WAS PROVIDED DURING THE YEAR. PORT HURON HOSPITAL PROVIDED $75,396,010 IN THIRD PARTY DISCOUNTS. IN TOTAL, THIS REPRESENTS 65.9 PERCENT OF THE GROSS PATIENT REVENUE FOR THIS YEAR.

PORT HURON HOSPITAL ALSO PROVIDED THE COMMUNITY WITH OPPORTUNITIES TO PARTICIPATE IN NUMEROUS EDUCATIONAL, WELLNESS, SCREENING, AND SUPPORTIVE PROGRAMS AT EITHER NO COST OR AT A NOMINAL CHARGE. THE HOSPITAL PROVIDED A TOTAL OF 138 PROGRAMS TO APPROXIMATELY 128,922

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 ▶ 32,129,064.

SEE SCHEDULE O FOR CONTINUATION(S)

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	X	
2	Is the organization required to complete *Schedule B, Schedule of Contributors*?	2	X	
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		X
4	**Section 501(c)(3) organizations.** 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		X
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		X
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		X
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		X
8	Did the organization maintain collections of works of art, historical treasures, or other similar assets? *If "Yes," complete Schedule D, Part III*	8		X
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		X
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		X
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	X	
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		X
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		X
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		X
e	Did the organization report an amount for other liabilities in Part X, line 25? *If "Yes," complete Schedule D, Part X*	11e	X	
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	X	
12a	Did the organization obtain separate, independent audited financial statements for the tax year? *If "Yes," complete Schedule D, Parts XI and XII*	12a		X
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		X
13	Is the organization a school described in section 170(b)(1)(A)(ii)? *If "Yes," complete Schedule E*	13		X
14a	Did the organization maintain an office, employees, or agents outside of the United States?	14a		X
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		X
15	Did the organization report on Part IX, column (A), line 3, more than $5,000 of grants or other assistance to or for any foreign organization? *If "Yes," complete Schedule F, Parts II and IV*	15		X
16	Did the organization report on Part IX, column (A), line 3, more than $5,000 of aggregate grants or other assistance to or for foreign individuals? *If "Yes," complete Schedule F, Parts III and IV*	16		X
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*	17		X
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		X
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		X
20a	Did the organization operate one or more hospital facilities? *If "Yes," complete Schedule H*	20a	X	
b	If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return?	20b	X	

Part IV Checklist of Required Schedules *(continued)*

			Yes	No
21	Did the organization report more than $5,000 of grants or other assistance to any domestic organization or domestic government on Part IX, column (A), line 1? *If "Yes," complete Schedule I, Parts I and II*	21		X
22	Did the organization report more than $5,000 of grants or other assistance to or for domestic individuals on Part IX, column (A), line 2? *If "Yes," complete Schedule I, Parts I and III*	22		X
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? *If "Yes," complete Schedule J*	23		X
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? *If "Yes," answer lines 24b through 24d and complete Schedule K. If "No", go to line 25a*	24a		X
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	**Section 501(c)(3), 501(c)(4), and 501(c)(29) organizations.** Did the organization engage in an excess benefit transaction with a disqualified person during the year? *If "Yes," complete Schedule L, Part I*	25a		X
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? *If "Yes," complete Schedule L, Part I*	25b		X
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? *If "Yes," complete Schedule L, Part II*	26		X
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? *If "Yes," complete Schedule L, Part III*	27		X
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? *If "Yes," complete Schedule L, Part IV*	28a		X
b	A family member of a current or former officer, director, trustee, or key employee? *If "Yes," complete Schedule L, Part IV*	28b		X
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? *If "Yes," complete Schedule L, Part IV*	28c	X	
29	Did the organization receive more than $25,000 in non-cash contributions? *If "Yes," complete Schedule M*	29		X
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? *If "Yes," complete Schedule M*	30		X
31	Did the organization liquidate, terminate, or dissolve and cease operations? *If "Yes," complete Schedule N, Part I*	31		X
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? *If "Yes," complete Schedule N, Part II*	32		X
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? *If "Yes," complete Schedule R, Part I*	33		X
34	Was the organization related to any tax-exempt or taxable entity? *If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1*	34	X	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	X	
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)? *If "Yes," complete Schedule R, Part V, line 2*	35b	X	
36	**Section 501(c)(3) organizations.** Did the organization make any transfers to an exempt non-charitable related organization? *If "Yes," complete Schedule R, Part V, line 2*	36		X
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? *If "Yes," complete Schedule R, Part VI*	37		X
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? **Note.** All Form 990 filers are required to complete Schedule O	38	X	

Part V Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V ☐

				Yes	No
1a	Enter the number reported in Box 3 of Form 1096. Enter -0- if not applicable	1a	0		
b	Enter the number of Forms W-2G included in line 1a. Enter -0- if not applicable	1b	0		
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?		1c		
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	2a	0		
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns?		2b		
	Note. If the sum of lines 1a and 2a is greater than 250, you may be required to *e-file* (see instructions)				
3a	Did the organization have unrelated business gross income of $1,000 or more during the year?		3a	X	
b	If "Yes," has it filed a Form 990-T for this year? *If "No," to line 3b, provide an explanation in Schedule O*		3b	X	
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)?		4a		X
b	If "Yes," enter the name of the foreign country: ▶ _____ See instructions for filing requirements for FinCEN Form 114, Report of Foreign Bank and Financial Accounts (FBAR).				
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?		5a		X
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?		5b		X
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?		5c		
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?		6a		X
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?		6b		
7	**Organizations that may receive deductible contributions under section 170(c).**				
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?		7a		X
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?		7b		
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?		7c		X
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d			
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?		7e		X
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?		7f		X
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?		7g		
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?		7h		
8	**Sponsoring organizations maintaining donor advised funds.** Did a donor advised fund maintained by the sponsoring organization have excess business holdings at any time during the year?		8		
9	**Sponsoring organizations maintaining donor advised funds.**				
a	Did the sponsoring organization make any taxable distributions under section 4966?		9a		
b	Did the sponsoring organization make a distribution to a donor, donor advisor, or related person?		9b		
10	**Section 501(c)(7) organizations.** 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	**Section 501(c)(12) organizations.** 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	**Section 4947(a)(1) non-exempt charitable trusts.** 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	**Section 501(c)(29) qualified nonprofit health insurance issuers.**				
a	Is the organization licensed to issue qualified health plans in more than one state? **Note.** 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		X
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 line 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.*

Check if Schedule O contains a response or note to any line 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	1a	18		
	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.				
b	Enter the number of voting members included in line 1a, above, who are independent	1b	16		
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			X
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			X
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4			X
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5			X
6	Did the organization have members or stockholders?	6		X	
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		X	
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b			X
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following:				
a	The governing body?	8a		X	
b	Each committee with authority to act on behalf of the governing body?	8b		X	
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			X

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		X
b	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	X	
b	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	X	
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	X	
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? *If "Yes," describe in Schedule O how this was done*	12c	X	
13	Did the organization have a written whistleblower policy?	13	X	
14	Did the organization have a written document retention and destruction policy?	14	X	
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?			
a	The organization's CEO, Executive Director, or top management official	15a	X	
b	Other officers or key employees of the organization	15b		X
	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		X
b	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 ▶MI

18 Section 6104 requires an organization to make its Forms 1023 (or 1024 if applicable), 990, and 990-T (Section 501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply.

☐ Own website ☐ Another's website ☒ Upon request ☐ 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, address, and telephone number of the person who possesses the organization's books and records: ▶

JOHN LISTON, CFO - 810-989-3737

1221 PINE GROVE AVENUE, PORT HURON, MI 48060

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

Check if Schedule O contains a response or note to any line 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, and 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 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) KAREN NIVER, MD	3.00									
CHAIRMAN	1.00	X		X						
(2) MONA ARMSTRONG	3.00									
VICE CHAIRMAN	1.00	X		X						
(3) JOHN OGDEN	3.00									
TREASURER	1.00	X		X						
(4) KARL TOMION	3.00									
SECRETARY	1.00	X		X						
(5) THOMAS D. DEFAUW	40.00									
PRESIDENT & CEO	3.00	X		X						
(6) JOHN LISTON	40.00									
ASST TREASURER	4.00	X		X						
(7) PHILIP INCARNATI	1.00									
PRESIDENT & CEO MCLAREN CO	52.70	X		X						
(8) JANET TURNER LOMASNEY, OD	3.00									
TRUSTEE	1.00	X								
(9) GLEN BETRUS, MD	3.00									
TRUSTEE	0.00	X								
(10) JANICE ROSE	3.00									
TRUSTEE	0.00	X								
(11) F. WILLIAM COOP, M.D.	3.00									
TRUSTEE	0.00	X								
(12) JOHN V. BROOKS, MD	3.00									
TRUSTEE, CHIEF OF STAFF -	0.00	X								
(13) DAVID KEYES	3.00									
TRUSTEE	0.00	X								
(14) DAVID TRACY MD	3.00									
TRUSTEE	0.00	X								
(15) DAVID A THOMPSON	3.00									
TRUSTEE	2.00	X								
(16) BASSAM H NASR, MD	3.00									
TRUSTEE	0.00	X								
(17) RICHARD LEVEILLE	3.00									
TRUSTEE	1.00	X								

Part VII Section A. Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees *(continued)*

(A) Name and title	(B) Average hours per week (list any hours for related organizations below 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			
(18) DAVID C. WHIPPLE	3.00									
TRUSTEE	0.00	X								
(19) SURESH TUMMA, MD	3.00									
TRUSTEE	0.00	X								
1b Sub-total ▶										
c Total from continuation sheets to Part VII, Section A ▶										
d Total (add lines 1b and 1c) ▶										

2 Total number of individuals (including but not limited to those listed above) who received more than $100,000 of reportable compensation from the organization ▶

		Yes	No
3 Did the organization list any **former** officer, director, or trustee, key employee, or highest compensated employee on line 1a? *If "Yes," complete Schedule J for such individual*	3		X
4 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? *If "Yes," complete Schedule J for such individual*	4		X
5 Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? *If "Yes," complete Schedule J for such person*	5		X

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
NONE		

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 ▶

Part VIII Statement of Revenue

Check if Schedule O contains a response or note to any line 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 - 514
Contributions, Gifts, Grants and Other Similar Amounts	1 a Federated campaigns	1a					
	b Membership dues	1b					
	c Fundraising events	1c					
	d Related organizations	1d	1,354,056.				
	e Government grants (contributions)	1e					
	f All other contributions, gifts, grants, and similar amounts not included above	1f					
	g Noncash contributions included in lines 1a-1f $						
	h **Total.** Add lines 1a-1f			1,354,056.			
Program Service Revenue		Business Code					
	2 a PATIENT REVENUE	621500		34,363,557.	34,363,557.		
	b LABORATORY	621500		9,724,443.	9,526,711.	197,732.	
	c OPERATING REVENUE	621500		64,212.	64,212.		
	d						
	e						
	f All other program service revenue						
	g **Total.** Add lines 2a-2f			44,152,212.			
Other Revenue	3 Investment income (including dividends, interest, and other similar amounts)			217,464.			217,464.
	4 Income from investment of tax-exempt bond proceeds						
	5 Royalties						
		(i) Real	(ii) Personal				
	6 a Gross rents						
	b Less: rental expenses						
	c Rental income or (loss)						
	d Net rental income or (loss)						
		(i) Securities	(ii) Other				
	7 a Gross amount from sales of assets other than inventory	70,040.					
	b Less cost or other basis and sales expenses	0.	1,008.				
	c Gain or (loss)	70,040.	-1,008.				
	d Net gain or (loss)			69,032.			69,032.
	8 a Gross income from fundraising events (not including $ _____ of contributions reported on line 1c) See Part IV, line 18	a					
	b Less. direct expenses	b					
	c Net income or (loss) from fundraising events						
	9 a Gross income from gaming activities. See Part IV, line 19	a					
	b Less direct expenses	b					
	c Net income or (loss) from gaming activities						
	10 a Gross sales of inventory, less returns and allowances	a					
	b Less cost of goods sold	b					
	c Net income or (loss) from sales of inventory						
	Miscellaneous Revenue	Business Code					
	11 a ELEC HEALTH RECORD	900000		1,236,564.	1,236,564.		
	b CAFETERIA	722210		176,497.	176,497.		
	c LAUNDRY	812300		51,586.	42,779.	8,807.	
	d All other revenue	900099		29,651.	29,651.		
	e **Total.** Add lines 11a-11d			1,494,298.			
	12 **Total revenue.** See instructions.			47,287,062.	45,439,971.	206,539.	286,496.

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 or note to any line 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 domestic organizations and domestic governments. See Part IV, line 21				
2 Grants and other assistance to domestic individuals. See Part IV, line 22				
3 Grants and other assistance to foreign organizations, foreign governments, and foreign individuals. See Part IV, lines 15 and 16				
4 Benefits paid to or for members				
5 Compensation of current officers, directors, trustees, and key employees	674,221.		674,221.	
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	16,393,557.	13,475,046.	2,918,511.	
8 Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions)	757,677.	632,564.	125,113.	
9 Other employee benefits	1,184,144.	988,611.	195,533.	
10 Payroll taxes	1,202,083.	1,003,587.	198,496.	
11 Fees for services (non-employees)				
a Management				
b Legal	23,428.		23,428.	
c Accounting	9,000.		9,000.	
d Lobbying				
e Professional fundraising services. See Part IV, line 17				
f Investment management fees	105,498.		105,498.	
g Other. (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Sch O.)	4,242,888.	2,400,429.	1,842,459.	
12 Advertising and promotion	200,181.	60,863.	139,318.	
13 Office expenses	354,766.	176,388.	178,378.	
14 Information technology	2,501,572.	20,001.	2,481,571.	
15 Royalties				
16 Occupancy	428,341.	200,946.	227,395.	
17 Travel	15,607.	15,607.		
18 Payments of travel or entertainment expenses for any federal, state, or local public officials				
19 Conferences, conventions, and meetings	17,708.	5,346.	12,362.	
20 Interest	91,009.		91,009.	
21 Payments to affiliates				
22 Depreciation, depletion, and amortization	1,424,920.		1,424,920.	
23 Insurance	-456,723.		-456,723.	
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 MED SUPPLY & MINOR EQUI	8,473,954.	8,450,565.	23,389.	
b BAD DEBTS	2,855,013.	2,855,013.		
c QAAP TAX	1,396,991.	1,396,991.		
d REPAIR & MAINT	714,381.	447,107.	267,274.	
e All other expenses	569,310.		569,310.	
25 **Total functional expenses** Add lines 1 through 24e	43,179,526.	32,129,064.	11,050,462.	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 ▶ ☐ if following SOP 98-2 (ASC 958-720)				

Part X Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X ☐

				(A) Beginning of year		(B) End of year
Assets	1	Cash - non-interest-bearing		11,340,907.	1	29,326,302.
	2	Savings and temporary cash investments		26,869,306.	2	26,527,314.
	3	Pledges and grants receivable, net			3	
	4	Accounts receivable, net		11,911,626.	4	13,382,666.
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L			5	
	6	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 instr). Complete Part II of Sch L			6	
	7	Notes and loans receivable, net		6,889,772.	7	9,775,809.
	8	Inventories for sale or use		5,378,784.	8	5,243,577.
	9	Prepaid expenses and deferred charges		533,072.	9	281,279.
	10a	Land, buildings, and equipment cost or other basis Complete Part VI of Schedule D	10a 58,888,931.			
	b	Less accumulated depreciation	10b 2,959,787.	55,172,365.	10c	55,929,144.
	11	Investments - publicly traded securities		14,043,973.	11	13,603,427.
	12	Investments - other securities See Part IV, line 11		3,878,422.	12	7,716,353.
	13	Investments - program-related See Part IV, line 11			13	
	14	Intangible assets			14	
	15	Other assets. See Part IV, line 11		5,205,193.	15	4,765,750.
	16	**Total assets.** Add lines 1 through 15 (must equal line 34)		141,223,420.	16	166,551,621.
Liabilities	17	Accounts payable and accrued expenses		57,912,062.	17	64,835,421.
	18	Grants payable			18	
	19	Deferred revenue			19	
	20	Tax-exempt bond liabilities		9,325,352.	20	29,324,044.
	21	Escrow or custodial account liability Complete Part IV of Schedule D			21	
	22	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			22	
	23	Secured mortgages and notes payable to unrelated third parties		200,427.	23	177,019.
	24	Unsecured notes and loans payable to unrelated third parties			24	
	25	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		7,155,267.	25	6,376,036.
	26	**Total liabilities.** Add lines 17 through 25		74,593,108.	26	100,712,520.
Net Assets or Fund Balances		**Organizations that follow SFAS 117 (ASC 958), check here ▶ ☒ and complete lines 27 through 29, and lines 33 and 34.**				
	27	Unrestricted net assets		66,630,312.	27	65,839,101.
	28	Temporarily restricted net assets			28	
	29	Permanently restricted net assets			29	
		Organizations that do not follow SFAS 117 (ASC 958), check here ▶ ☐ and complete lines 30 through 34.				
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building, or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		66,630,312.	33	65,839,101.
	34	Total liabilities and net assets/fund balances		141,223,420.	34	166,551,621.

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI X

1	Total revenue (must equal Part VIII, column (A), line 12)	1	47,287,062.
2	Total expenses (must equal Part IX, column (A), line 25)	2	43,179,526.
3	Revenue less expenses. Subtract line 2 from line 1	3	4,107,536.
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	66,630,312.
5	Net unrealized gains (losses) on investments	5	-823,786.
6	Donated services and use of facilities	6	
7	Investment expenses	7	
8	Prior period adjustments	8	-1,419,137.
9	Other changes in net assets or fund balances (explain in Schedule O)	9	-2,655,824.
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	65,839,101.

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII X

			Yes	No
1	Accounting method used to prepare the Form 990: ☐ Cash ☒ Accrual ☐ 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?	2a		X
	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 ☐ Separate basis ☐ Consolidated basis ☐ Both consolidated and separate basis			
b	Were the organization's financial statements audited by an independent accountant?	2b	X	
	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. ☐ Separate basis ☒ Consolidated basis ☐ Both consolidated and separate basis			
c	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?	2c	X	
	If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O			
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		X
b	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 990-EZ)

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.**

▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990.***

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization	Employer identification number
PORT HURON HOSPITAL	38-1369611

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 1/3% 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 1/3% 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 in lines 11a through 11d that describes the type of supporting organization and complete lines 11e, 11f, and 11g

a ☐ **Type I.** A supporting organization operated, supervised, or controlled by its supported organization(s), typically by giving the supported organization(s) the power to regularly appoint or elect a majority of the directors or trustees of the supporting organization. **You must complete Part IV, Sections A and B.**

b ☐ **Type II.** A supporting organization supervised or controlled in connection with its supported organization(s), by having control or management of the supporting organization vested in the same persons that control or manage the supported organization(s). **You must complete Part IV, Sections A and C.**

c ☐ **Type III functionally integrated.** A supporting organization operated in connection with, and functionally integrated with, its supported organization(s) (see instructions). **You must complete Part IV, Sections A, D, and E.**

d ☐ **Type III non-functionally integrated.** A supporting organization operated in connection with its supported organization(s) that is not functionally integrated. The organization generally must satisfy a distribution requirement and an attentiveness requirement (see instructions). **You must complete Part IV, Sections A and D, and Part V.**

e ☐ Check this box if the organization received a written determination from the IRS that it is a Type I, Type II, Type III functionally integrated, or Type III non-functionally integrated supporting organization

f Enter the number of supported organizations ☐

g Provide the following information about the supported organization(s).

(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 listed in your governing document? Yes	(iv) No	(v) Amount of monetary support (see Instructions)	(vi) Amount of other support (see Instructions)
Total						

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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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 VI.)						
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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

14 Public support percentage for 2014 (line 6, column (f) divided by line 11, column (f)) 14 %

15 Public support percentage from 2013 Schedule A, Part II, line 14 15 %

16a **33 1/3% support test - 2014.** 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 - 2013.** 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 - 2014.** 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 VI how the organization meets the "facts-and-circumstances" test. The organization qualifies as a publicly supported organization ▶ ☐

b **10% -facts-and-circumstances test - 2013.** 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 VI 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 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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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) 2010	(b) 2011	(c) 2012	(d) 2013	(e) 2014	(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 VI.)						
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 section 501(c)(3) organization, check this box and **stop here** ▶ ☐

Section C. Computation of Public Support Percentage

15 Public support percentage for 2014 (line 8, column (f) divided by line 13, column (f))	15	%
16 Public support percentage from 2013 Schedule A, Part III, line 15	16	%

Section D. Computation of Investment Income Percentage

17 Investment income percentage for **2014** (line 10c, column (f) divided by line 13, column (f))	17	%
18 Investment income percentage from **2013** Schedule A, Part III, line 17	18	%

19a **33 1/3% support tests - 2014.** 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 - 2013.** 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 Supporting Organizations

(Complete only if you checked a box on line 11 of Part I. If you checked 11a of Part I, complete Sections A and B. If you checked 11b of Part I, complete Sections A and C. If you checked 11c of Part I, complete Sections A, D, and E. If you checked 11d of Part I, complete Sections A and D, and complete Part V.)

Section A. All Supporting Organizations

			Yes	No
1	Are all of the organization's supported organizations listed by name in the organization's governing documents? *If "No" describe in Part VI how the supported organizations are designated. If designated by class or purpose, describe the designation. If historic and continuing relationship, explain.*	1		
2	Did the organization have any supported organization that does not have an IRS determination of status under section 509(a)(1) or (2)? *If "Yes," explain in Part VI how the organization determined that the supported organization was described in section 509(a)(1) or (2).*	2		
3a	Did the organization have a supported organization described in section 501(c)(4), (5), or (6)? *If "Yes," answer (b) and (c) below.*	3a		
b	Did the organization confirm that each supported organization qualified under section 501(c)(4), (5), or (6) and satisfied the public support tests under section 509(a)(2)? *If "Yes," describe in Part VI when and how the organization made the determination.*	3b		
c	Did the organization ensure that all support to such organizations was used exclusively for section 170(c)(2)(B) purposes? *If "Yes," explain in Part VI what controls the organization put in place to ensure such use.*	3c		
4a	Was any supported organization not organized in the United States ("foreign supported organization")? *If "Yes" and if you checked 11a or 11b in Part I, answer (b) and (c) below.*	4a		
b	Did the organization have ultimate control and discretion in deciding whether to make grants to the foreign supported organization? *If "Yes," describe in* **Part VI** *how the organization had such control and discretion despite being controlled or supervised by or in connection with its supported organizations.*	4b		
c	Did the organization support any foreign supported organization that does not have an IRS determination under sections 501(c)(3) and 509(a)(1) or (2)? *If "Yes," explain in Part VI what controls the organization used to ensure that all support to the foreign supported organization was used exclusively for section 170(c)(2)(B) purposes.*	4c		
5a	Did the organization add, substitute, or remove any supported organizations during the tax year? *If "Yes," answer (b) and (c) below (if applicable). Also, provide detail in Part VI, including (i) the names and EIN numbers of the supported organizations added, substituted, or removed, (ii) the reasons for each such action, (iii) the authority under the organization's organizing document authorizing such action, and (iv) how the action was accomplished (such as by amendment to the organizing document).*	5a		
b	**Type I or Type II only.** Was any added or substituted supported organization part of a class already designated in the organization's organizing document?	5b		
c	**Substitutions only.** Was the substitution the result of an event beyond the organization's control?	5c		
6	Did the organization provide support (whether in the form of grants or the provision of services or facilities) to anyone other than (a) its supported organizations; (b) individuals that are part of the charitable class benefited by one or more of its supported organizations; or (c) other supporting organizations that also support or benefit one or more of the filing organization's supported organizations? *If "Yes," provide detail in Part VI.*	6		
7	Did the organization provide a grant, loan, compensation, or other similar payment to a substantial contributor (defined in IRC 4958(c)(3)(C)), a family member of a substantial contributor, or a 35-percent controlled entity with regard to a substantial contributor? *If "Yes," complete Part I of Schedule L (Form 990).*	7		
8	Did the organization make a loan to a disqualified person (as defined in section 4958) not described in line 7? *If "Yes," complete Part I of Schedule L (Form 990).*	8		
9a	Was the organization controlled directly or indirectly at any time during the tax year by one or more disqualified persons as defined in section 4946 (other than foundation managers and organizations described in section 509(a)(1) or (2))? *If "Yes," provide detail in Part VI.*	9a		
b	Did one or more disqualified persons (as defined in line 9(a)) hold a controlling interest in any entity in which the supporting organization had an interest? *If "Yes," provide detail in Part VI.*	9b		
c	Did a disqualified person (as defined in line 9(a)) have an ownership interest in, or derive any personal benefit from, assets in which the supporting organization also had an interest? *If "Yes," provide detail in Part VI.*	9c		
10a	Was the organization subject to the excess business holdings rules of IRC 4943 because of IRC 4943(f) (regarding certain Type II supporting organizations, and all Type III non-functionally integrated supporting organizations)? *If "Yes," answer (b) below.*	10a		
b	Did the organization have any excess business holdings in the tax year? *(Use Schedule C, Form 4720, to determine whether the organization had excess business holdings.)*	10b		

Part IV Supporting Organizations *(continued)*

			Yes	No
11	Has the organization accepted a gift or contribution from any of the following persons?			
a	A person who directly or indirectly controls, either alone or together with persons described in (b) and (c) below, the governing body of a supported organization?	11a		
b	A family member of a person described in (a) above?	11b		
c	A 35% controlled entity of a person described in (a) or (b) above? *If "Yes" to a, b, or c, provide detail in Part VI.*	11c		

Section B. Type I Supporting Organizations

			Yes	No
1	Did the directors, trustees, or membership of one or more supported organizations have the power to regularly appoint or elect at least a majority of the organization's directors or trustees at all times during the tax year? *If "No," describe in Part VI how the supported organization(s) effectively operated, supervised, or controlled the organization's activities. If the organization had more than one supported organization, describe how the powers to appoint and/or remove directors or trustees were allocated among the supported organizations and what conditions or restrictions, if any, applied to such powers during the tax year.*	1		
2	Did the organization operate for the benefit of any supported organization other than the supported organization(s) that operated, supervised, or controlled the supporting organization? *If "Yes," explain in Part VI how providing such benefit carried out the purposes of the supported organization(s) that operated, supervised, or controlled the supporting organization*	2		

Section C. Type II Supporting Organizations

			Yes	No
1	Were a majority of the organization's directors or trustees during the tax year also a majority of the directors or trustees of each of the organization's supported organization(s)? *If "No," describe in Part VI how control or management of the supporting organization was vested in the same persons that controlled or managed the supported organization(s).*	1		

Section D. Type III Supporting Organizations

			Yes	No
1	Did the organization provide to each of its supported organizations, by the last day of the fifth month of the organization's tax year, (1) a written notice describing the type and amount of support provided during the prior tax year, (2) a copy of the Form 990 that was most recently filed as of the date of notification, and (3) copies of the organization's governing documents in effect on the date of notification, to the extent not previously provided?	1		
2	Were any of the organization's officers, directors, or trustees either (i) appointed or elected by the supported organization(s) or (ii) serving on the governing body of a supported organization? *If "No," explain in Part VI how the organization maintained a close and continuous working relationship with the supported organization(s)*	2		
3	By reason of the relationship described in (2), did the organization's supported organizations have a significant voice in the organization's investment policies and in directing the use of the organization's income or assets at all times during the tax year? *If "Yes," describe in Part VI the role the organization's supported organizations played in this regard.*	3		

Section E. Type III Functionally-Integrated Supporting Organizations

1 *Check the box next to the method that the organization used to satisfy the Integral Part Test during the year* ***(see instructions):***

a ☐ The organization satisfied the Activities Test *Complete line 2 below*

b ☐ The organization is the parent of each of its supported organizations *Complete line 3 below.*

c ☐ The organization supported a governmental entity. *Describe in Part VI how you supported a government entity (see instructions)*

			Yes	No
2	Activities Test ***Answer (a) and (b) below.***			
a	Did substantially all of the organization's activities during the tax year directly further the exempt purposes of the supported organization(s) to which the organization was responsive? *If "Yes," then in* ***Part VI identify those supported organizations and explain*** *how these activities directly furthered their exempt purposes, how the organization was responsive to those supported organizations, and how the organization determined that these activities constituted substantially all of its activities.*	2a		
b	Did the activities described in (a) constitute activities that, but for the organization's involvement, one or more of the organization's supported organization(s) would have been engaged in? *If "Yes," explain in* ***Part VI*** *the reasons for the organization's position that its supported organization(s) would have engaged in these activities but for the organization's involvement.*	2b		
3	Parent of Supported Organizations. ***Answer (a) and (b) below.***			
a	Did the organization have the power to regularly appoint or elect a majority of the officers, directors, or trustees of each of the supported organizations? Provide details in ***Part VI.***	3a		
b	Did the organization exercise a substantial degree of direction over the policies, programs, and activities of each of its supported organizations? If "Yes," describe in ***Part VI*** *the role played by the organization in this regard.*	3b		

Part V Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations

1 ☐ Check here if the organization satisfied the Integral Part Test as a qualifying trust on Nov. 20, 1970. **See instructions.** All other Type III non-functionally integrated supporting organizations must complete Sections A through E.

Section A - Adjusted Net Income		(A) Prior Year	(B) Current Year (optional)
1 Net short-term capital gain	1		
2 Recoveries of prior-year distributions	2		
3 Other gross income (see instructions)	3		
4 Add lines 1 through 3	4		
5 Depreciation and depletion	5		
6 Portion of operating expenses paid or incurred for production or collection of gross income or for management, conservation, or maintenance of property held for production of income (see instructions)	6		
7 Other expenses (see instructions)	7		
8 **Adjusted Net Income** (subtract lines 5, 6 and 7 from line 4)	8		

Section B - Minimum Asset Amount		(A) Prior Year	(B) Current Year (optional)
1 Aggregate fair market value of all non-exempt-use assets (see instructions for short tax year or assets held for part of year)			
a Average monthly value of securities	1a		
b Average monthly cash balances	1b		
c Fair market value of other non-exempt-use assets	1c		
d **Total** (add lines 1a, 1b, and 1c)	1d		
e **Discount** claimed for blockage or other factors (explain in detail in **Part VI**)			
2 Acquisition indebtedness applicable to non-exempt-use assets	2		
3 Subtract line 2 from line 1d	3		
4 Cash deemed held for exempt use. Enter 1-1/2% of line 3 (for greater amount, see instructions).	4		
5 Net value of non-exempt-use assets (subtract line 4 from line 3)	5		
6 Multiply line 5 by .035	6		
7 Recoveries of prior-year distributions	7		
8 **Minimum Asset Amount** (add line 7 to line 6)	8		

Section C - Distributable Amount			Current Year
1 Adjusted net income for prior year (from Section A, line 8, Column A)	1		
2 Enter 85% of line 1	2		
3 Minimum asset amount for prior year (from Section B, line 8, Column A)	3		
4 Enter greater of line 2 or line 3	4		
5 Income tax imposed in prior year	5		
6 **Distributable Amount.** Subtract line 5 from line 4, unless subject to emergency temporary reduction (see instructions)	6		

7 ☐ Check here if the current year is the organization's first as a non-functionally-integrated Type III supporting organization (see instructions)

Part V **Type III Non-Functionally Integrated 509(a)(3) Supporting Organizations** *(continued)*

Section D - Distributions	Current Year
1 Amounts paid to supported organizations to accomplish exempt purposes	
2 Amounts paid to perform activity that directly furthers exempt purposes of supported organizations, in excess of income from activity	
3 Administrative expenses paid to accomplish exempt purposes of supported organizations	
4 Amounts paid to acquire exempt-use assets	
5 Qualified set-aside amounts (prior IRS approval required)	
6 Other distributions (describe in **Part VI**). See instructions	
7 **Total annual distributions.** Add lines 1 through 6	
8 Distributions to attentive supported organizations to which the organization is responsive (provide details in **Part VI**). See instructions.	
9 Distributable amount for 2014 from Section C, line 6	
10 Line 8 amount divided by Line 9 amount	

Section E - Distribution Allocations (see instructions)	(i) Excess Distributions	(ii) Underdistributions Pre-2014	(iii) Distributable Amount for 2014
1 Distributable amount for 2014 from Section C, line 6			
2 Underdistributions, if any, for years prior to 2014 (reasonable cause required-see instructions)			
3 Excess distributions carryover, if any, to 2014:			
a			
b			
c			
d			
e From 2013			
f **Total** of lines 3a through e			
g Applied to underdistributions of prior years			
h Applied to 2014 distributable amount			
i Carryover from 2009 not applied (see instructions)			
j Remainder. Subtract lines 3g, 3h, and 3i from 3f.			
4 Distributions for 2014 from Section D, line 7 $			
a Applied to underdistributions of prior years			
b Applied to 2014 distributable amount			
c Remainder. Subtract lines 4a and 4b from 4			
5 Remaining underdistributions for years prior to 2014, if any. Subtract lines 3g and 4a from line 2 (if amount greater than zero, see instructions).			
6 Remaining underdistributions for 2014. Subtract lines 3h and 4b from line 1 (if amount greater than zero, see instructions).			
7 **Excess distributions carryover to 2015.** Add lines 3j and 4c.			
8 Breakdown of line 7:			
a			
b			
c			
d Excess from 2013			
e Excess from 2014			

Part VI **Supplemental Information.** 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).

PART IV

PORT HURON HOSPITIAL AND ITS RELATED ORGANIZATIONS WERE ACQUIRED DURING FYE 6/30/14 BY MCLAREN HEALTHCARE CORPORATION. BECAUSE MCLAREN ENTITIES ARE FILED USING A 9/30 YEAR END, A SHORT PERIOD RETURN IS BEING PREPARED TO CHANGE THE ORGANIZATION'S YEAR END TO BE CONSISTENT WITH OTHER MCLAREN ENTITIES.

SCHEDULE D (Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b.
▶ Attach to Form 990.
▶ Information about Schedule D (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization
PORT HURON HOSPITAL

Employer identification number
38-1369611

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 value of contributions to (during year)		
3	Aggregate value of 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? ☐ Yes ☐ No

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? ☐ Yes ☐ No

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 a 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 Tax Year
a	Total number of conservation easements	2a
b	Total acreage restricted by conservation easements	2b
c	Number of conservation easements on a certified historic structure included in (a)	2c
d	Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register	2d

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) Revenue 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 Revenue included in Form 990, Part VIII, line 1 ▶ $ _____

b Assets included in Form 990, Part X ▶ $ _____

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:

		Amount
c Beginning balance	1c	
d Additions during the year	1d	
e Distributions during the year	1e	
f Ending balance	1f	

2a Did the organization include an amount on Form 990, Part X, line 21, for escrow or custodial account liability? ☐ 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	(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

		Yes	No
(i) unrelated organizations	3a(i)		
(ii) related organizations	3a(ii)		
b If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?	3b		

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

Part VI Land, Buildings, and Equipment.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11a 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		2,357,148.		2,357,148.
b Buildings		21,720,724.	1,174,662.	20,546,062.
c Leasehold improvements				
d Equipment		31,578,767.	1,785,125.	29,793,642.
e Other		3,232,292.		3,232,292.
Total. Add lines 1a through 1e. *(Column (d) must equal Form 990, Part X, column (B), line 10c.)* ▶				55,929,144.

Part VII Investments - Other Securities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11b. See Form 990, Part X, line 12.

(a) Description of security or category (including name of security)	(b) Book value	(c) Method of valuation: Cost or end-of-year market value
(1) Financial derivatives		
(2) Closely-held equity interests		
(3) Other		
(A)		
(B)		
(C)		
(D)		
(E)		
(F)		
(G)		
(H)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 12.) ▶		

Part VIII Investments - Program Related.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11c See Form 990, Part X, line 13

(a) Description of investment	(b) Book value	(c) Method of valuation Cost or end-of-year market value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. (Col. (b) must equal Form 990, Part X, col. (B) line 13.) ▶		

Part IX Other Assets.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11d. See Form 990, Part X, line 15.

	(a) Description	(b) Book value
(1)		
(2)		
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 15)* ▶		

Part X Other Liabilities.

Complete if the organization answered "Yes" to Form 990, Part IV, line 11e or 11f. See Form 990, Part X, line 25.

1.	(a) Description of liability	(b) Book value
(1)	Federal income taxes	
(2)	CLAIM LIABILITY	6,376,036.
(3)		
(4)		
(5)		
(6)		
(7)		
(8)		
(9)		
Total. *(Column (b) must equal Form 990, Part X, col. (B) line 25.)* ▶		6,376,036.

2. Liability for uncertain tax positions. In Part XIII, provide the text of the footnote to the organization's financial statements that reports the organization's liability for uncertain tax positions under FIN 48 (ASC 740). Check here if the text of the footnote has been provided in Part XIII [X]

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12:				
a	Net unrealized gains (losses) on investments	2a			
b	Donated services and use of facilities	2b			
c	Recoveries of prior year grants	2c			
d	Other (Describe in Part XIII.)	2d			
e	Add lines 2a through 2d			2e	
3	Subtract line 2e from line 1			3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines 4a and 4b			4c	
5	Total revenue. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 12.)*			5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return.

Complete if the organization answered "Yes" to Form 990, Part IV, line 12a

1	Total expenses and losses per audited financial statements			1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25				
a	Donated services and use of facilities	2a			
b	Prior year adjustments	2b			
c	Other losses	2c			
d	Other (Describe in Part XIII.)	2d			
e	Add lines 2a through 2d			2e	
3	Subtract line 2e from line 1			3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1:				
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a			
b	Other (Describe in Part XIII.)	4b			
c	Add lines 4a and 4b			4c	
5	Total expenses. Add lines 3 and 4c. *(This must equal Form 990, Part I, line 18.)*			5	

Part XIII Supplemental Information.

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.

PART X, LINE 2:

FIN 48 STATEMENT - SCH. D

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

Part XIII Supplemental Information *(continued)*

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 WERE AUDITED BY THE INTERNAL REVENUE SERVICE FOR THE 2012, 2011, AND 2010 TAX PERIODS. THE AUDITS WERE RECENTLY SETTLED AND CLOSED FOR ALL THE SUBSIDIARIES INVOLVED IN THE AUDIT, WITH THE EXCEPTION OF MHP. THE COMPLETION OF THE IRS AUDIT FOR MHP IS SUBJECT TO COMPLETION OF MHP'S APPLICATION TO BE RECOGNIZED UNDER INTERNAL REVENUE CODE SECTION 501(C)(4). SUBSEQUENT TO YEAR END, MHP HAS SUBMITTED THE APPLICATION REQUESTING EXEMPTION AND IS AWAITING A RESPONSE FROM THE INTERNAL REVENUE SERVICE. IF MHP IS NOT ABLE TO OBTAIN RECOGNITION UNDER SECTION 501(C)(4), THE INTERNAL REVENUE SERVICE COULD POTENTIALLY PROCEED WITH REVOKING THE TAX-EXEMPT STATUS OF MHP FOR THE YEAR ENDED DECEMBER 31, 2010 AND ALL YEARS SUBSEQUENT. THE CORPORATION IS CURRENTLY IN THE PROCESS OF RESPONDING TO THIS PROPOSED ACTION. THE FINANCIAL STATEMENTS HAVE NOT BEEN ADJUSTED FOR ANY POTENTIAL OUTCOMES OF THIS UNCERTAINTY AT SEPTEMBER 30, 2014 AND 2013.

MANAGEMENT BELIEVES THE CORPORATION IS NOT SUBJECT TO TAX EXAMINATIONS FOR YEARS PRIOR TO SEPTEMBER 30, 2011.

Part XIII Supplemental Information *(continued)*

SUBSEQUENT TO ISSUANCE OF THESE FINANCIAL STATEMENTS, THE INTERNAL REVENUE SERVICE APPROVED MHP'S TAX EXEMPT STATUS UNDER IRC SECTION 501(C)(4). AS SUCH, THE AFOREMENTIONED UNCERTAIN TAX POSITION DESCRIBED WITH REGARD TO MHP NO LONGER EXISTS.

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.
▶ Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990* .

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization

PORT HURON HOSPITAL

Employer identification number

38-1369611

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	X	
b	If "Yes," was it a written policy?	1b	X	
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 [X] Applied uniformly to all hospital facilities [ ] Applied uniformly to most hospital facilities [ ] 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 *free* care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for free care [ ] 100% [ ] 150% [X] 200% [ ] Other _____ %	3a	X	
b	Did the organization use FPG as a factor in determining eligibility for providing *discounted* care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care. [ ] 200% [ ] 250% [ ] 300% [X] 350% [ ] 400% [ ] Other _____ %	3b	X	
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the criteria used 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"?	4	X	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a	X	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b		X
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?	5c		
6a	Did the organization prepare a community benefit report during the tax year?	6a	X	
b	If "Yes," did the organization make it available to the public?	6b	X	

Complete the following table using the worksheets provided in the Schedule H instructions Do not submit these worksheets with the Schedule H

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)			369,077.		369,077.	.92%
b Medicaid (from Worksheet 3, column a)			1,548,898.		1,548,898.	3.84%
c Costs of other means-tested government programs (from Worksheet 3, column b)						
d **Total** Financial Assistance and Means-Tested Government Programs			1,917,975.		1,917,975.	4.76%
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			170,777.		170,777.	.42%
f Health professions education (from Worksheet 5)						
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)						
j **Total.** Other Benefits			170,777.		170,777.	.42%
k **Total.** Add lines 7d and 7j			2,088,752.		2,088,752.	5.18%

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

			Yes	No
Section A. Bad Debt Expense				
1 Did the organization report bad debt expense in accordance with Healthcare Financial Management Association Statement No 15?	1	X		
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	2,855,013.		
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	956,278.		
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	18,228,643.		
6 Enter Medicare allowable costs of care relating to payments on line 5	6	19,400,810.		
7 Subtract line 6 from line 5 This is the surplus (or shortfall)	7	-1,172,167.		
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	X		
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	X		

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 %

Part V Facility Information

Section A. Hospital Facilities
(list in order of size, from largest to smallest)

How many hospital facilities did the organization operate during the tax year? 1

Name, address, primary website address, and state license number (and if a group return, the name and EIN of the subordinate hospital organization that operates the hospital facility)	Licensed hospital	Gen. medical & surgical	Children's hospital	Teaching hospital	Critical access hospital	Research facility	ER-24 hours	ER-other	Other (describe)	Facility reporting group
1 PORT HURON HOSPITAL 1221 PINE GROVE AVENUE PORT HURON, MI 48060 WWW.MCLAREN.ORG/PORTHURON	X	X					X			

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)

Name of hospital facility or letter of facility reporting group PORT HURON HOSPITAL

Line number of hospital facility, or line numbers of hospital facilities in a facility reporting group (from Part V, Section A): 1

		Yes	No
Community Health Needs Assessment			
1 Was the hospital facility first licensed, registered, or similarly recognized by a State as a hospital facility in the current tax year or the immediately preceding tax year?	1		X
2 Was the hospital facility acquired or placed into service as a tax-exempt hospital in the current tax year or the immediately preceding tax year? If "Yes," provide details of the acquisition in Section C	2		X
3 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 12	3	X	
If "Yes," indicate what the CHNA report describes (check all that apply):			
a [X] A definition of the community served by the hospital facility			
b [X] Demographics of the community			
c [X] Existing health care facilities and resources within the community that are available to respond to the health needs of the community			
d [X] How data was obtained			
e [X] The significant health needs of the community			
f [X] Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups			
g [X] The process for identifying and prioritizing community health needs and services to meet the community health needs			
h [X] The process for consulting with persons representing the community's interests			
i [X] Information gaps that limit the hospital facility's ability to assess the community's health needs			
j [ ] Other (describe in Section C)			
4 Indicate the tax year the hospital facility last conducted a CHNA: 20 12			
5 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Section C how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	5	X	
6a Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Section C	6a		X
b Was the hospital facility's CHNA conducted with one or more organizations other than hospital facilities? If "Yes," list the other organizations in Section C	6b		X
7 Did the hospital facility make its CHNA report widely available to the public?	7	X	
If "Yes," indicate how the CHNA report was made widely available (check all that apply):			
a [X] Hospital facility's website (list url): WWW.MCLAREN.ORG/PORTHURON			
b [ ] Other website (list url)			
c [X] Made a paper copy available for public inspection without charge at the hospital facility			
d [ ] Other (describe in Section C)			
8 Did the hospital facility adopt an implementation strategy to meet the significant community health needs identified through its most recently conducted CHNA? If "No," skip to line 11	8		X
9 Indicate the tax year the hospital facility last adopted an implementation strategy. 20 ____	9		
10 Is the hospital facility's most recently adopted implementation strategy posted on a website?	10		
a If "Yes," (list url)			
b If "No", is the hospital facility's most recently adopted implementation strategy attached to this return?	10b		
11 Describe in Section C how the hospital facility is addressing the significant needs identified in its most recently conducted CHNA and any such needs that are not being addressed together with the reasons why such needs are not being addressed			
12a 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)?	12a		X
b If "Yes" to line 12a, did the organization file Form 4720 to report the section 4959 excise tax?	12b		
c If "Yes" to line 12b, 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 (FAP)

Name of hospital facility or letter of facility reporting group PORT HURON HOSPITAL

			Yes	No
	Did the hospital facility have in place during the tax year a written financial assistance policy that:			
13	Explained eligibility criteria for financial assistance, and whether such assistance included free or discounted care?	13	X	
	If "Yes," indicate the eligibility criteria explained in the FAP			
a	[X] Federal poverty guidelines (FPG), with FPG family income limit for eligibility for free care of 200 % and FPG family income limit for eligibility for discounted care of 350 %			
b	[X] Income level other than FPG (describe in Section C)			
c	[X] Asset level			
d	[X] Medical indigency			
e	[X] Insurance status			
f	[X] Underinsurance status			
g	[X] Residency			
h	[X] Other (describe in Section C)			
14	Explained the basis for calculating amounts charged to patients?	14	X	
15	Explained the method for applying for financial assistance?	15	X	
	If "Yes," indicate how the hospital facility's FAP or FAP application form (including accompanying instructions) explained the method for applying for financial assistance (check all that apply)			
a	[ ] Described the information the hospital facility may require an individual to provide as part of his or her application			
b	[ ] Described the supporting documentation the hospital facility may require an individual to submit as part of his or her application			
c	[ ] Provided the contact information of hospital facility staff who can provide an individual with information about the FAP and FAP application process			
d	[ ] Provided the contact information of nonprofit organizations or government agencies that may be sources of assistance with FAP applications			
e	[ ] Other (describe in Section C)			
16	Included measures to publicize the policy within the community served by the hospital facility?	16	X	
	If "Yes," indicate how the hospital facility publicized the policy (check all that apply)			
a	[ ] The FAP was widely available on a website (list url):			
b	[ ] The FAP application form was widely available on a website (list url).			
c	[ ] A plain language summary of the FAP was widely available on a website (list url).			
d	[X] The FAP was available upon request and without charge (in public locations in the hospital facility and by mail)			
e	[X] The FAP application form was available upon request and without charge (in public locations in the hospital facility and by mail)			
f	[ ] A plain language summary of the FAP was available upon request and without charge (in public locations in the hospital facility and by mail)			
g	[ ] Notice of availability of the FAP was conspicuously displayed throughout the hospital facility			
h	[ ] Notified members of the community who are most likely to require financial assistance about availability of the FAP			
i	[X] Other (describe in Section C)			

Billing and Collections

17	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 all of the actions the hospital facility or other authorized party may take upon non-payment?	17	X	
18	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 individual's eligibility under the facility's FAP			
a	[ ] Reporting to credit agency(ies)			
b	[ ] Selling an individual's debt to another party			
c	[ ] Actions that require a legal or judicial process			
d	[ ] Other similar actions (describe in Section C)			
e	[ ] None of these actions or other similar actions were permitted			

Part V Facility Information *(continued)*

Name of hospital facility or letter of facility reporting group PORT HURON HOSPITAL

		Yes	No
19 Did the hospital facility or other authorized party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP?	19		X
If "Yes", check all actions in which the hospital facility or a third party engaged:			
a ☐ Reporting to credit agency(ies)			
b ☐ Selling an individual's debt to another party			
c ☐ Actions that require a legal or judicial process			
d ☐ Other similar actions (describe in Section C)			

20 Indicate which efforts the hospital facility or other authorized party made before initiating any of the actions listed (whether or not checked) in line 19 (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 individuals regarding the individuals' bills
- **d** ☐ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy
- **e** ☐ Other (describe in Section C)
- **f** ☐ Non of these efforts were made

Policy Relating to Emergency Medical Care

21 Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that required 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?	21	X	
If "No," indicate why.			
a ☐ The hospital facility did not provide care for any emergency medical conditions			
b ☐ The hospital facility's policy was not in writing			
c ☐ The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Section C)			
d ☐ Other (describe in Section C)			

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

22 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 ☐ The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged			
b ☐ The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged			
c ☐ The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged			
d ☒ Other (describe in Section C)			
23 During the tax year, did the hospital facility charge any FAP-eligible individual 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?	23		X
If "Yes," explain in Section C.			
24 During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?	24		X
If "Yes," explain in Section C			

Part V **Facility Information** *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc.) and name of hospital facility.

PORT HURON HOSPITAL:

PART V, SECTION B, LINE 5: IN 2014, THE HOSPITAL APPROACHED THE LOCAL HEALTH DEPARTMENT, WHICH HAD BEEN THE AGENCY THAT COORDINATED THE MOST RECENT CHNA. BECAUSE THAT DOCUMENT WAS PRODUCED FOUR YEARS AGO, THE HOSPITAL HAS USED A VARIETY OF RESOURCES AND METHODS TO UPDATE ITS UNDERSTANDING OF COMMUNITY "NEED" AND CONSULTED WITH MANY COMMUNITY LEADERS IN IDENTIFYING PRIORITIES FOR ATTENTION. A COMMUNITY ROUNDTABLE, HOSTED IN 2012, GUIDANCE FROM THE MICHIGAN HOSPITAL ASSOCIATION, THE ST.CLAIR COUNTY HEALTH DEPARTMENT AND KEY COMMUNITY REPRESENTATIVES IN 2013 AND 2014 ENABLED THE HOSPITAL LEADERSHIP TEAM CONFIRM ITS PRIORITIES AND CONFIDENTLY PROCEED WITH ITS BOARD-APPROVED IMPLEMENTATION PLAN FOR 2014.

OF ADDITIONAL VALUE HAS BEEN THE HOSPITAL'S CONNECTIONS WITH ITS COMMUNITY HEALTH CENTERS (CHCS). LOCATED IN CAPAC, YALE, LEXINGTON AND MARYSVILLE, THESE FACILITIES NOT ONLY DEFINE THE REACHES OF THE HOSPITAL'S SERVICE AREA AND ENABLE THE HOSPITAL TO DELIVER IMPORTANT ACCESS TO FAMILY PRACTICE, THE CHCS CREATE VITAL LINKS TO DIALOGS WITH THE COMMUNITIES ABOUT LOCAL HEALTH NEEDS. FOR MANY YEARS, THE HOSPITAL AND ITS FOUNDATION HAVE UTILIZED CHC TEAMS TO ANNUALLY IDENTIFY LOCAL HEALTH PRIORITIES. USUALLY, THE CHC TEAMS DIRECT OUR ATTENTION TO CANCER SCREENINGS OR MEN'S OR WOMEN'S HEALTH FAIRS. BUT THE HOSPITAL, AS A RESULT OF THESE RELATIONSHIPS, HAS ALSO BEEN ABLE TO ORGANIZE "CELEBRITY READER" EVENTS TO PROMOTE LITERACY AND BIKE SAFETY EDUCATION AIMED AT REDUCING HEAD INJURIES.

Part V Facility Information *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc) and name of hospital facility.

PORT HURON HOSPITAL:

PART V, SECTION B, LINE 11: THE HOSPITAL SELECTED ONLY SOME OF THE NEEDS IDENTIFIED IN THE COUNTY-WIDE NEEDS ASSESSMENT. IN PARTICULAR, THE HOSPITAL LOOKED FOR AREAS WHERE COUNTY-LEVEL OBSERVATIONS ALIGNED WITH ROUNDTABLE DISCUSSIONS, FEEDBACK FROM COMMUNITY LEADERS, DIRECTION OFFERED FROM ITS COMMUNITY HEALTH CENTER REPRESENTATIVES AND NUMEROUS OTHER AVENUES FOR INPUT. AS A RESULT, THE HOSPITAL DEPLOYED ITS RESOURCES IN AREAS MOST MISSION-RELEVANT AND WHERE IT COULD HAVE THE GREATEST IMPACT. WHILE THE COUNTY DREW ATTENTION TO OBESITY, SEDENTARY LIFESTYLES, UNHEALTHY DIETS, HIGH BLOOD PRESSURE, HIGH CHOLESTEROL, TOBACCO USE AND ALCOHOL USE, THE HOSPITAL RESPONDED WITH EDUCATION, OUTREACH, SCREENINGS AND TREATMENT THAT:

- EXPANDED ACCESS TO FREE OR DISCOUNTED MAMMOGRAMS; PROMOTED UNDERSTANDING OF PALLIATIVE CARE
- SOUGHTS AND OBTAINED ACCREDITATION AS A DIABETES CENTER OF EXCELLENCE (ONE OF ONLY TWO IN MICHIGAN), ASSURING OUR COMMUNITY OF COMPETENT, ACCURATE EDUCATION AND MANAGEMENT OF THIS DIFFICULT DISEASE
- WORKED WITH PHYSICIANS TO DEVELOP ALTERNATIVE SUPPORT AND TREATMENT FOR CHRONIC ASTHMATICS
- EXPANDED ACCESS TO "GOOD HEALTH" EVENTS THROUGHOUT OUR SERVICE AREA, IDENTIFYING PATIENTS THAT WERE AT HIGH RISK FOR A NUMBER OF CHRONIC CONDITIONS AND OBTAINING APPROPRIATE MEDICAL TREATMENT FOR THEM
- JOINED WITH THE COMMUNITY FOUNDATION TO PROVIDE ELEMENTARY-AGED CHILDREN THROUGHOUT THE COUNTY WITH BACKPACKS STOCKED WITH SCHOOL SUPPLIES AND PERSONAL HYGIENE PRODUCTS. THE EVENTS ARE DELIBERATELY PAIRED WITH FOOD DISTRIBUTIONS BY OUR FOOD BANKS

Part V | **Facility Information** *(continued)*

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 2, 3j, 5, 6a, 6b, 7d, 11, 13b, 13h, 15e, 16i, 18d, 19d, 20e, 21c, 21d, 22d, 23, and 24. If applicable, provide separate descriptions for each hospital facility in a facility reporting group, designated by facility reporting group letter and hospital facility line number from Part V, Section A ("A, 1," "A, 4," "B, 2" "B, 3," etc) and name of hospital facility.

- PARTNERED WITH THE MICHIGAN HOSPITAL ASSOCIATION TO IMPROVE THE QUALITY OF FOOD OFFERED AT THE HOSPITAL, RAISING THE NUTRITIONAL COMPETENCY AMOUNG EMPLOYEES, VISITORS AND PATIENTS

- CONTINUED TO EMPHASIZE THE IMPORTANCE OF SMOKING CESSATION AND TO MAKE RESOURCES AVAILABLE TO BOTH EMPLOYEES AND OUR COMMUNITY

- WORKED WITH NUMEROUS ASSOCIATIONS AND LAWMAKERS TO PROVIDE THE COMMUNITY WITH A COMPLETE UNDERSTANDING OF A MEDICAID EXPANSION

- CONTINUED OUR EDUCATIONAL COMMITMENT TO HELMET AND BIKE SAFETY, AIMED SPECIFICALLY AT REDUCING "YEARS OF POTENTIAL LIFE LOST" DUE TO HEAD INJURIES. THIS LAST YEAR, WE ALSO ADDED A PROGRAM WITH THE LOCAL HIGH SCHOOLS AND COMMUNITY COLLEGE TO PROVIDE ATHLETES WITH A BASELINE NEUROLOGICAL ASSESSMENT WITH CONCUSSION SCREEENING PROTOCOLS.

PORT HURON HOSPITAL:

PART V, SECTION B, LINE 16I: PAMPHLETS ARE DISPLAYED AND AVAILABLE IN EMERGENCY ROOM

PORT HURON HOSPITAL:

PART V, SECTION B, LINE 22D: UPON REQUEST WE OFFER 20% PROMPT PAY DISCOUNT FOR NON CO-PAY AND DEDUCTIBLE PORTIONS AND 20% UNINSURED DISCOUNT. IF THE PERSON IS STILL UNABLE TO PAY, WE REVIEW FOR CHARITY CARE OR CATASTROPHIC CARE.

Part V Facility Information *(continued)*

Section D. 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? 0

Name and address	Type of Facility (describe)

Part VI Supplemental Information

Provide the following information

1 **Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7; Part II and Part III, lines 2, 3, 4, 8 and 9b

2 **Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs 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.

PART I, LINE 7, COLUMN (F):

THE BAD DEBT EXPENSE INCLUDED ON FORM 990, PART IX, LINE 25(A), BUT SUBTRACTED FOR PURPOSES OF CALCULATING THE PERCENTAGE IN THIS COLUMN IS $ 2,855,013.

PART II, COMMUNITY BUILDING ACTIVITIES:

THE PORT HURON COMMUNITY HAS ALWAYS HOSTED A VIBRANT DISCUSSION ON COMMUNITY-BUILDING AND ITS INFLUENCE ON COMMUNITY HEALTH. MCLAREN PORT HURON, WITH OTHER COMMUNITY AGENCIES SUCH AS THE COMMUNITY FOUNDATION, THE HEALTH DEPARTMENT, COMMUNITY MENTAL HEALTH, PUBLIC SAFETY, CLERGY AND OTHER COMMUNITY HOSPITALS REGULARLY COME TOGETHER AROUND COMMON INTERESTS.

COLLECTIVELY, THERE IS A CONSENSUS AMONG THESE GROUPS- AND OTHERS- THAT A COMMUNITY'S "HEALTH" IS DEFINED BY MUCH BROADER MEASUREMENTS THAN TRADITIONAL VITAL HEALTH STATISTICS. OBESITY, DEPRESSION, DIABETES, TEEN PREGNANCY ARE ISSUES THAT HAVE GARNERED OUR COLLECTIVE ACTION, BUT OTHER ISSUES SUCH AS UNEMPLOYMENT, IMPROVED ACCESS TO PARKS, AVAILABILITY OF

Part VI | Supplemental Information *(Continuation)*

FRESH PRODUCE, YOUTH MENTORING ALSO GAIN OUR ATTENTION.

MCLAREN PORT HURON, IN PARTICULAR, INFLUENCES, INFORMS AND DRAWS FROM THESE CONVERSATIONS. OUR MANAGEMENT TEAM, COMPRISED OF ABOUT 50 INDIVIDUALS, IS INVOLVED IN (AND OFTEN PROVIDES LEADERSHIP TO) OVER 50 COMMUNITY SERVICE AGENCIES SUCH AS ROTARY CLUBS, CHAMBERS OF COMMERCE, THE YMCA, THE COMMUNITY COLLEGE, SCHOOL AND CHURCH BOARDS, CHILD ADVOCACY GROUPS, THE UNITED WAY, COUNCILS ON AGING, HUMAN SERVICES COORDINATING COUNCILS, ECONOMIC DEVELOPMENT, AND AREA MUSEUMS. THESE RELATIONSHIPS- AND THEIR LEADERS- REGULARLY INFORM A LESS FORMAL, BUT MORE MEANINGFUL, COMMUNITY NEEDS ASSESSMENT. THE LEADERSHIP AT MCLAREN PORT HURON CLEARLY COMMUNICATES ITS EXPECTATION THAT EVERY MANAGER IS COMMITTED TO AT LEAST ONE SUCH COMMUNITY SERVICE GROUP AND THE HOSPITAL, IN TURN, SUPPORTS THOSE MANAGERS IN THEIR ROLES.

ADDITIONALLY, MCLAREN PORT HURON TAKES PRIDE IN ITS SUPPORT OF OTHER AGENCIES' FUNDRAISING AND COMMUNITY-BUILDING ACTIVITIES SUCH AS THE MARCH OF DIMES' JAIL-N-BAIL, WALK FOR SUMMER READING, AMERICAN HEART WALK, UNITED WAY, BACKPACK/SCHOOL SUPPLIES GIVE-AWAYS AND THE CHILD ABUSE AND NEGLECT ROOFSIT. THESE EVENTS PROMOTE WELLNESS AND HEALTHIER LIFESTYLES, OFFER HEALTH SCREENINGS AND RAISE FUNDS FOR AGENCIES WHOSE MISSIONS ARE ALIGNED WITH THE HOSPITAL'S.

PART III, LINE 4:

ACCOUNTS RECEIVABLE FOR PATIENTS, INSURANCE COMPANIES, AND GOVERNMENTAL AGENCIES ARE BASED ON GROSS CHARGES. AN ALLOWANCE FOR UNCOLLECTIBLE ACCOUNTS IS ESTABLISHED ON AN AGGREGATE BASIS BY USING HISTORICAL WRITE-OFF RATE FACTORS APPLIED TO UNPAID ACCOUNTS BASED ON AGING. LOSS

Part VI **Supplemental Information** *(Continuation)*

RATE FACTORS ARE BASED ON HISTORICAL LOSS EXPERIENCE AND ADJUSTED FOR ECONOMIC CONDITIONS AND OTHER TRENDS AFFECTING THE HOSPITAL'S ABILITY TO COLLECT OUTSTANDING AMOUNTS. UNCOLLECTIBLE AMOUNTS ARE WRITTEN OFF AGAINST THE ALLOWANCE FOR DOUBTFUL ACCOUNTS IN THE PERIOD THEY ARE DETERMINED TO BE UNCOLLECTIBLE. 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.

THE COST TO CHARGE RATIO WAS USED IN DETERMINING THE BAD DEBT EXPENSE ATTRIBUTABLE TO PATIENTS WHO POTENTIALLY WOULD HAVE QUALIFIED UNDER THE ORGANIZATION'S CHARITY CARE POLICY.

PART III, LINE 8:

PORT HURON HOSPITAL APPLIES THE COST TO CHARGE RATIO METHODOLOGY AS REQUIRED. ALL OF THE SHORTFALL SHOULD BE CONSIDERED COMMUNITY BENEFIT.

PART III, LINE 9B:

IF A PATIENT PARTICIPATES IN THE CHARITY CARE PROCESS, THE ACCOUNT IS WRITTEN OFF THE CHARITY AS PER THE CHARITY CARE PROCESS. HOWEVER, IF THE PATIENT IS NON-PARTICIPATIVE IN THE CHARITY CARE PROCESS, THE NORMAL COLLECTION PROCESS WILL ENSUE.

PART VI, LINE 2:

IN ADDITION TO THOSE METHODS DESCRIBED IN PART II AND PART V, THE HOSPITAL UTILIZES MANY MORE METHODS TO ASSESS - AND ADDRESS - THE HEALTH CARE NEEDS OF OUR COMMUNITY. VARIOUS ONGOING AND AD-HOC EFFORTS INCLUDE:

Part VI Supplemental Information *(Continuation)*

- PARTICIPATION IN VARIOUS FORMAL COUNTY-WIDE NEEDS ASSESSMENTS WITH THE ST.CLAIR COUNTY HEALTH DEPARTMENT (INCLUDING EMERGENCY MANAGEMENT)

- WITH THE MICHIGAN INPATIENT DATABASE, AN ANNUAL GAP ANALYSIS FOR COMMUNITY OUTMIGRATION FOR HEALTHCARE SERVICES NOT OFFERED IN COUNTY (WHICH TO AN ANALSIS AND COMMITMENT TO INVESTMENT IN INCREASED CANCER TREATMENT SERVICES)

- PERIODIC CONSUMER PERCEPTION AND PERFERENCE SURVEYS (SUCH AS EPIC MRA, PRESS GANEY)

- A COMMUNITY ADVISORY BOARD THAT PROVIDES THE HOSPITAL WITH DIRECTION AND TIMELY FEEDBACK REGARDING WOMEN'S HEALTH NEEDS (RECENTLY DIRECTED THE HOSPITAL TO INVEST IN DIGITAL MAMMOGRAPHY TECHNOLOGY)

- AN ANNUAL STRATEGIC PLANNING PROCESS THAT INCORPORATES INPUT FROM THE COMMUNITY, MANAGERS, PHYSICIANS, TRUSTEES AND PATIENTS FEEDBACK

- FEEDBACK AND DIRECTION FROM THE HOSPITAL'S "55-PLUS" MEMBERSHIP GROUP, WHICH DIRECTED THE HOSPITAL'S ATTENTION TO SCREENINGS AND SUPPORT GROUPS THAT ARE NOT TYPICALLY PAID FOR BY HEALTH PLANS

- KEY COMMUNITY CONSTITUENTS - WHO HAVE SUPPORTED THE HOSPITAL'S EDUCATION AND OUTREACH MISSION - ULTIMATELY RESULTING IN A HEALTH LIBRARY AND CLASSROOMS (BOTH PROMINENTLY POSITIONED IN THE HOSPITAL'S MAIN LOBBY) THAT PROVIDE EDUCATIONAL RESOURCES, SUPPORT AND INSTRUCTION TO COMMUNITY GROUPS, PHYSICIANS, HOSPITAL STAFF

- "TODAY'S HEALTH" - A WEEKLY HEALTH INFORMATION TELEVISION AND CABLE SHOW - PROVIDES EDUCATIONAL CONTENT THAT IS ALIGNED WITH COMMUNITY NEED

- HEALTH ACCESS - A MEDIUM THROUGH WHICH THE HOSPITAL IS ABLE TO ANSWER SPECIFIC EDUCATIONAL INTERESTS, PROVIDE EMERGENCY DIRECTION, PROMOTE THE AVAILABILITY OF HEALTH OUTREACH RESOURCES AND FACILITATE CLASS ENROLLMENT

- COUNTY EMERGENCY MANAGEMENT, "REGOIN 2" HOMELAND SECURITY, LOCAL PUBLIC SAFETY - THESE AGENCIES ROUTINELY ADVISE THE HOSPITAL ON NEEDED

PREPARATIONS FOR SPECIFIC EMERGENCY PLANNING THAT IS IN THE COMMUNITY'S INTEREST. IN ADDITION TO ACTUAL EVENTS AND EXERCISES FOR FIRE, TORNADO AND HAZARDOUS MATERIALS EXPOSURES, THESE AGENCIES ASSISTED THE HOSPITAL IN TESTING ITS ABILITY TO CARE FOR AN H1N1 EPIDEMIC, MANAGE AN "ACTIVE SHOOTER" SCENARIO AND CONDUCTING AN INFANT ABDUCTION DRILL.

FINALLY, THE HOSPITAL'S HISTORY OF PUBLIC ACCOUNTABILITY FACILITATES A REGULAR DIALOG WITH THE COMMUNITY REGARDING THE HOSPITAL'S COMMITMENT TO COMMUNITY BENEFIT. EACH YEAR, THE HOSPITAL PUBLISHES AND DISTRIBUTES AN ANNUAL REPORT, WHICH IS SHARED WITH TRUSTEES AND OTHER COMMUNITY REPRESENTATIVES. MORE CONCURRENTLY, THE HOSPITAL REPORTS ON NUMEROUS COMMUNITY BENEFIT RESOURCES IN A HALF-PAGE AD THAT IS PUBLISHED MONTHLY IN THE LOCAL NEWSPAPER UNDER A "YOUR PARTNER IN HEALTH" SERIES.

PART VI, LINE 3:

THE HOSPITAL HAS BROCHURES AVAILABLE FOR PATIENTS REGARDING THEIR OPTIONS. THE HOSPITAL ALSO COMMUNICATES THAT A PATIENT MAY CALL IF THEY NEED FINANCIAL ASSISTANCE VIA PHONE CALLS AND BILLING STATEMENTS. THE HOSPITAL HAS A REPRESENTATIVE THAT IS WILLING TO WORK WITH THE PATIENTS TO HELP THEM TRY TO GET INSURANCE OR OTHER FORMS OF ASSISTANCE.

PART VI, LINE 4:

THE HOSPITAL AND ITS AFFILIATE ORGANIZATIONS SERVE A THREE-SIDED MARKET, LIMITED BY LAKE HURON AND THE CANADIAN BOARD TO THE EAST. THE HOSPITAL'S SERVICE AREA IS GENERALLY CONSIDERED TO BE ALL OF ST.CLAIR COUNTY, WITH PORTIONS OF SANILAC, HURON, LAPEER AND MACOMB COUNTIES. THE SERVICE AREA'S POPULATION IS ABOUT 220,000 WITH ABOUT THREE-QUARTERS RESIDING IN ST.CLAIR COUNTY. THE LARGEST COMMUNITY, PORT HURON, HAS A POPULATION OF ABOUT

Part VI **Supplemental Information** *(Continuation)*

35,000 RESIDENTS. ABOUT A THIRD OF THE COUNTY'S RESIDENTS LEAVE THE COUNTY FOR WORK. OUR MARKET FOLLOWS THE STATE DEMOGRAPHICS WITH SOME EXCEPTIONS: A LOWER PERCENTAGE OF AFRICAN-AMERICANS, A HIGHER PERCENTAGE OF NATIVE AMERICANS, A LOWER AVERAGE HOUSEHOLD INCOME AND A HIGHER PERCENTAGE OF RESIDENTS OVER 65 YEARS OLD. THESE MARKET CHARACTERISTICS ARE CONSIDERED IN OUR PLANNING EFFORTS, PARTICULARLY AS WE PLAN FOR HEALTH SCREENINGS AND TRANSPORTATION NEEDS.

PART VI, LINE 5:

N/A

PART VI, LINE 7, LIST OF STATES RECEIVING COMMUNITY BENEFIT REPORT:

MI

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, line 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.
▶ Information about Schedule L (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2014

Open To Public Inspection

Name of the organization

PORT HURON HOSPITAL

Employer identification number

38-1369611

Part I Excess Benefit Transactions (section 501(c)(3), section 501(c)(4), and 501(c)(29) 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	(d) Corrected? No

2 Enter the amount of tax incurred by the 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? To	(d) From	(e) Original principal amount	(f) Balance due	(g) In default? Yes	(g) No	(h) Approved by board or committee? Yes	(h) No	(i) Written agreement? Yes	(i) No
Total					▶ $							

Part III Grants or Assistance Benefiting 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
PHYSICIAN HEALTHCARE INVES	BASSAM H. NASR, MD,	25,109.	RENTAL/LEAS		X

Part V Supplemental Information

Provide additional information for responses to questions on Schedule L (see instructions)

SCH L, PART IV, BUSINESS TRANSACTIONS INVOLVING INTERESTED PERSONS:

(A) NAME OF PERSON: PHYSICIAN HEALTHCARE INVESTORS

(B) RELATIONSHIP BETWEEN INTERESTED PERSON AND ORGANIZATION:

BASSAM H. NASR, MD, BOARD MEMBER OF PHH AND PART OWNER

(D) DESCRIPTION OF TRANSACTION: RENTAL/LEASE SLEEP CENTER

432132
10-06-14

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 990-EZ or to provide any additional information.

▶ Attach to Form 990 or 990-EZ.

▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization

PORT HURON HOSPITAL

Employer identification number

38-1369611

FORM 990, PART III, LINE 4A, PROGRAM SERVICE ACCOMPLISHMENTS:

PEOPLE OF THE COMMUNITY.

FORM 990, PART VI, SECTION A, LINE 6:

THE SOLE MEMBER OF THE CORPORATION IS MCLAREN HEALTHCARE CORPORATION.

FORM 990, PART VI, SECTION A, LINE 7A:

THE MEMBER SHALL HAVE THE EXCLUSIVE RIGHT TO APPOINT AND REMOVE MEMBERS OF THE BOARD OF TRUSTEES.

FORM 990, PART VI, SECTION B, LINE 11:

THE FORM 990 WAS PROVIDED TO THE BOARD FOR REVIEW PRIOR TO FILING.

FORM 990, PART VI, SECTION B, LINE 12C:

ALL TRUSTEES AND DIRECTORS ANNUALLY COMPLETE THE CONFLICT OF INTEREST POLICY. THE GOVERNANCE REVIEWS THE CONLFICT OF INTEREST POLICY ANNUALLY AND DISCLOSES ANY POTENTIAL CONFLICTS AT THAT TIME. ANY PERCEIVED OR POTENTIAL CONFLICTS ARE SHARED WITH THE BOARD CHAIR AND VICE-CHAIR FOR ANY DISCUSSION OR ACTION IF A CONFLICT SHOULD ARISE.

FORM 990, PART VI, SECTION B, LINE 15A:

THE EXECUTIVE COMPENSATION COMMITTEE IS A SUBCOMMITTEE OF THE BOARD OF DIRECTORS RESPONSIBLE FOR ANNUALLY EVALUATING THE PERFORMANCE AND COMPENSATION OF THE CHIEF EXECUTIVE OF THE CORPORATION. THEY ARE RESPONSIBLE FOR ENSURING PORT HURON HOSPITAL CAN ATTRACT, RETAIN AND MOTIVATE TALENTED EXECUTIVES WHO ARE ENTRUSTED TO ACHIEVE PERFORMANCE

Name of the organization: PORT HURON HOSPITAL

Employer identification number: 38-1369611

OBJECTIVES AND TO FULFILL THE HOSPITAL'S MISSION. THE COMMITTEE UTILIZES THE SERVICES OF AN INDEPENDENT CONSULTANT TO ANALYZE TOTAL REMUNERATION AND COMPARATIVE STUDIES TO ENSURE TOTAL COMPENSATION IS REASONABLE AND COMPETITIVE. THE MOST RECENT YEAR THIS PROCESS WAS UNDERTAKEN WAS FISCAL YEAR 2014.

FORM 990, PART VI, SECTION C, LINE 19:

DOCUMENTS ARE AVAILABLE UPON REQUEST.

FORM 990, PART XI, LINE 9, CHANGES IN NET ASSETS:

CHANGE IN ADDITIONAL MINIMUM PENSION LIABILITY -2,655,824.

PART XII, LINE 2C:

THIS PROCESS HAS NOT CHANGED SINCE PRIOR YEAR.

SCHEDULE R (Form 990)

Department of the Treasury
Internal Revenue Service

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.

▶ Attach to Form 990.

▶ Information about Schedule R (Form 990) and its instructions is at *www.irs.gov/form990.*

OMB No 1545-0047

2014

Open to Public Inspection

Name of the organization

PORT HURON HOSPITAL

Employer identification number

38-1369611

Part I **Identification of Disregarded Entities** Complete if the organization answered "Yes" on 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" on 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	(g) No
BAY MEDICAL FOUNDATION - 38-2156534 1900 COLUMBUS AVE, BAY CITY, MI 48708	FOUNDATION	MICHIGAN	501(C)(3)	LINE 11A, I	BAY REGIONAL MEDICAL CENTER	X	
BAY REGIONAL MEDICAL CENTER - 38-1976271 1900 COLUMBUS AVE, BAY CITY, MI 48708	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
BAY REGIONAL MEDICAL CENTER AUXILIARY - 38-6081235, 1908 COLUMBUS AVENUE, BAY CITY, MI 48708	SUPPORTING ORGANIZATION	MICHIGAN	501(C)(3)	LINE 11A, I	BAY REGIONAL MEDICAL CENTER	X	
BAY SPECIAL CARE HOSPITAL - 38-3161753 1900 COLUMBUS AVE, BAY CITY, MI 48708	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	BAY REGIONAL MEDICAL CENTER	X	

Part III **Identification of Related Organizations Taxable as a Partnership** Complete if the organization answered "Yes" on 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) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership
MCLAREN - NORTHERN EQUITIES CANCER CENTER PROJECT, LLC - 26-3112935, 39000 COUNTRY CLUB DRIVE, FARMINGTON HILLS,	RENTAL REAL ESTATE	MI	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A
MOUNT CLEMENS REGIONAL HEALTH BUILDING HEALTH PARTNERS - 26-2524717, 1000 HARRINGTON ST, MOUNT CLEMENS, MI 48043	BUILDING MANAGEMENT	MI	N/A	N/A	N/A	N/A	N/A		N/A	N/A		N/A

Part IV **Identification of Related Organizations Taxable as a Corporation or Trust** Complete if the organization answered "Yes" on 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	(i) No
HEALTH ADVANTAGE, INC - 91-2141720 G3245 BEECHER ROAD FLINT, MI 48532	HEALTH CARE SERVICES	MI	N/A	C CORP	N/A	N/A	N/A		X
CLARKSTON PROPERTY ASSOCIATES - 43-2006072 50 NORTH PERRY STREET PONTIAC, MI 48342	REAL ESTATE	MI	N/A	C CORP	N/A	N/A	N/A		X
HOSPITAL HEALTH CARE, INC, - 38-2643070 50 NORTH PERRY STREET PONTIAC, MI 48342	HEALTH CARE	MI	N/A	C CORP	N/A	N/A	N/A		X
PHYSICIAN ORGANIZED HEALTHCARE SYSTEM - 38-3136458, 50 NORTH PERRY STREET, PONTIAC, MI 48342	MANAGED CARE	MI	N/A	C CORP	N/A	N/A	N/A		X
MCLAREN HEALTH PLAN INSURANCE COMPANY - 27-1780283, G-3245 BEECHER ROAD, SUITE 200, FLINT, MI 48532	INSURANCE	MI	N/A	C CORP	N/A	N/A	N/A		X

SEE PART VII FOR CONTINUATIONS

Part V Transactions With Related Organizations Complete if the organization answered "Yes" on 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.		Yes	No
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	1a	X	
b Gift, grant, or capital contribution to related organization(s)	1b		X
c Gift, grant, or capital contribution from related organization(s)	1c	X	
d Loans or loan guarantees to or for related organization(s)	1d		X
e Loans or loan guarantees by related organization(s)	1e		X
f Dividends from related organization(s)	1f		X
g Sale of assets to related organization(s)	1g		X
h Purchase of assets from related organization(s)	1h		X
i Exchange of assets with related organization(s)	1i		X
j Lease of facilities, equipment, or other assets to related organization(s)	1j	X	
k Lease of facilities, equipment, or other assets from related organization(s)	1k	X	
l Performance of services or membership or fundraising solicitations for related organization(s)	1l	X	
m Performance of services or membership or fundraising solicitations by related organization(s)	1m	X	
n Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)	1n		X
o Sharing of paid employees with related organization(s)	1o	X	
p Reimbursement paid to related organization(s) for expenses	1p		X
q Reimbursement paid by related organization(s) for expenses	1q	X	
r Other transfer of cash or property to related organization(s)	1r	X	
s Other transfer of cash or property from related organization(s)	1s		X

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 related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved
(1) MCLAREN HEALTH CARE CORPORATION	C	1,200,000.	ALLOCATION OF COST
(2) PORT HURON HOSPITAL FOUNDATION	C	154,056.	CASH
(3) WILLOW ENTERPRISES	J	10,041.	CASH
(4) MARWOOD MANOR NURSING HOME	L	105,101.	ALLOCATION OF COST
(5) WILLOW ENTERPRISES	L	8,448.	ALLOCATION OF COST
(6) MCLAREN FLINT	L	9,825.	ALLOCATION OF COST

Part VI Unrelated Organizations Taxable as a Partnership Complete if the organization answered "Yes" on Form 990, Part IV, line 37

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.

(a) Name, address, and EIN of entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Predominant income (related, unrelated, excluded from tax under sections 512-514)	(e) Are all partners sec 501(c)(3) orgs? Yes	(e) No	(f) Share of total income	(g) Share of end-of-year assets	(h) Disproportionate allocations? Yes	(h) No	(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner? Yes	(j) No	(k) Percentage ownership

Part VII Supplemental Information

Provide additional information for responses to questions on Schedule R (see instructions).

PART III, IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS PARTNERSHIP:

NAME, ADDRESS, AND EIN OF RELATED ORGANIZATION:

MCLAREN - NORTHERN EQUITIES CANCER CENTER PROJECT, LLC

EIN: 26-3112935

39000 COUNTRY CLUB DRIVE

FARMINGTON HILLS, MI 48331

PART IV, IDENTIFICATION OF RELATED ORGANIZATIONS TAXABLE AS CORP OR TRUST:

NAME OF RELATED ORGANIZATION:

RAPIN & RAPIN, INC. DBA PRESCRIPTION SERVICES PHARMACY

DIRECT CONTROLLING ENTITY: NORTHERN MICHIGAN REGIONAL HEALTH SYSTEM

Part II Continuation of Identification of Related Tax-Exempt Organizations

(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 organization? Yes	(g) No
MCLAREN HEALTH CARE CORPORATION - 38-2397643 401 S. BALLENGER HWY FLINT, MI 48532	SUPPORTING ORG	MICHIGAN	501(C)(3)	LINE 11A, I	N/A		X
CENTRAL MICHIGAN COMMUNITY HOSPITAL - 38-1420304, 1221 SOUTH DRIVE, MT. PLEASANT, MI 48858	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
CHARLEVOIX NURSING HOME CORPORATION DBA BOULDER PARK TERRACE - 38-3038683, 14676 WEST UPRIGHT, CHARLEVOIX, MI 49720	SKILLED NURSING FACILITY	MICHIGAN	501(C)(3)	LINE 9	NORTHERN MICHIGAN REGIONAL HEALTH SYSTEM	X	
GREAT LAKES CANCER INSTITUTE - 38-3584572 401 S. BALLENGER HWY FLINT, MI 48532	CANCER CARE CENTER	MICHIGAN	501(C)(3)	LINE 7	MCLAREN HEALTH CARE CORPORATION	X	
INGHAM REGIONAL HEALTHCARE FOUNDATION - 38-2463637, 401 S. GREENLAWN AVE, LANSING, MI 48910	FOUNDATION	MICHIGAN	501(C)(3)	LINE 7	INGHAM REGIONAL MEDICAL CENTER	X	
INGHAM REGIONAL MEDICAL CENTER - 38-1434090 401 S. GREENLAWN AVE LANSING, MI 48910	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
KARMANOS CANCER CENTER - 20-1649466 4100 JOHN R. ST. DETROIT, MI 48201	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	KARMANOS CANCER INSTITUTE	X	
KARMANOS CANCER INSTITUTE - 38-1613280 4100 JOHN R. ST. DETROIT, MI 48201	CANCER RESEARCH & CARE CENTER	MICHIGAN	501(C)(3)	LINE 7	MCLAREN HEALTH CARE CORPORATION	X	
LAPEER REGIONAL MEDICAL CENTER - 38-2689033 1375 N. MAIN ST. LAPEER, MI 48446	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
LAPEER REGIONAL MEDICAL CENTER FOUNDATION - 38-2689603, 1375 N. MAIN ST., LAPEER, MI 48446	FOUNDATION	MICHIGAN	501(C)(3)	LINE 11A, I	LAPEER REGIONAL MEDICAL CENTER	X	
MARWOOD MANOR NURSING HOME - 38-2683251 PO BOX 5011 PORT HURON, MI 48060	NURSING HOME	MICHIGAN	501(C)(3)	LINE 9	PORT HURON HOSPITAL	X	
MCLAREN HEALTH CARE VILLAGE FOUNDATION - 26-2693350, 401 S. BALLENGER HIGHWAY, FLINT, MI 48532	SUPPORTING ORG	MICHIGAN	501(C)(3)	LINE 11A, I	MCLAREN HEALTH CARE CORPORATION	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(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 organization? Yes	(g) No
MCLAREN HEALTH PLAN - 38-3383640 G-3245 BEECHER ROAD FLINT, MI 48532	HEALTH CARE SERVICES	MICHIGAN	501(C)(4)		MCLAREN HEALTH CARE CORPORATION	X	
MCLAREN HOSPITALITY HOUSE - 45-5567669 401 S. BALLENGER HIGHWAY FLINT, MI 48532	HOSPITALITY HOUSE	MICHIGAN	501(C)(3)	LINE 7	MCLAREN HEALTH CARE CORPORATION	X	
MCLAREN MEDICAL MANAGEMENT, INC. - 38-2988086, 401 S. BALLENGER HWY. FLINT, MI 48532	MANAGEMENT COMPANY	MICHIGAN	501(C)(3)	LINE 11A, I	MCLAREN HEALTH CARE CORPORATION	X	
MCLAREN NORTHERN MICHIGAN - 38-2146751 416 CONNABLE AVENUE PETOSKEY, MI 49770	ACUTE CARE HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
MCLAREN REGIONAL MEDICAL CENTER - 38-2383119 401 S. BALLENGER HWY FLINT, MI 48532	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
MOUNT CLEMENS REGIONAL HEALTHCARE FOUNDATION - 38-2578873, PO BOX 326, MOUNT CLEMENS, MI 48046	FOUNDATION	MICHIGAN	501(C)(3)	LINE 9	MOUNT CLEMENS REGIONAL MEDICAL CENTER	X	
MOUNT CLEMENS REGIONAL MEDICAL CENTER - 38-1218516, 1000 HARRINGTON, MOUNT CLEMENS, MI 48043	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
NORTH OAKLAND NORTH MACOMB IMAGING INC. - 38-2807040, 355 BARCLAY CIR, STE A, ROCHESTER HILLS, MI 48307	MRI IMAGING	MICHIGAN	501(C)(3)	LINE 3	POH REGIONAL MEDICAL CENTER	X	
NORTHERN MICHIGAN HEMATOLOGY AND ONCOLOGY - 32-0020293, 416 CONNABLE AVENUE, PETOSKEY, MI 49770	PHYSICIAN PRACTICE	MICHIGAN	501(C)(3)	LINE 3	MCLAREN NORTHERN MICHIGAN	X	
NORTHERN MICHIGAN MEDICAL MANAGEMENT - 20-8458840, 416 CONNABLE AVENUE, PETOSKEY, MI 49770	PHYSICIAN PRACTICE	MICHIGAN	501(C)(3)	LINE 3	MCLAREN NORTHERN MICHIGAN	X	
MCLAREN NORTHERN MICHIGAN FOUNDATION - 38-2445611, 360 CONNABLE AVENUE, PETOSKEY, MI 49770	FUNDRAISING	MICHIGAN	501(C)(3)	LINE 11A, I	MCLAREN NORTHERN MICHIGAN	X	
PARKVIEW PROPERTY MANAGEMENT CORPORATION - 38-2467310, PO BOX 5011, PORT HURON, MI 48060	MANAGEMENT CORP	MICHIGAN	501(C)(3)	LINE 11A, I	PORT HURON HOSPITAL	X	

Part II Continuation of Identification of Related Tax-Exempt Organizations

(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 organization? Yes	(g) No
PETOSKEY COMMUNITY FREE CLINIC - 20-3675817 416 CONNABLE AVENUE PETOSKEY, MI 49770	HEALTH SERVICES	MICHIGAN	501(C)(3)	LINE 3	MCLAREN NORTHERN MICHIGAN	X	
POH REGIONAL MEDICAL CENTER - 38-1428164 50 NORTH PERRY STREET PONTIAC, MI 48342	HOSPITAL	MICHIGAN	501(C)(3)	LINE 3	MCLAREN HEALTH CARE CORPORATION	X	
POH RILEY FOUNDATION - 20-0442217 50 NORTH PERRY STREET PONTIAC, MI 48342	FOUNDATION	MICHIGAN	501(C)(3)	LINE 11C, III-FI	POH REGIONAL MEDICAL CENTER	X	
PORT HURON HOSPITAL FOUNDATION - 38-2777750 PO BOX 5011 PORT HURON, MI 48060	SUPPORTING ORG	MICHIGAN	501(C)(3)	LINE 11A, I	PORT HURON HOSPITAL	X	
REGIONAL EMERGENCY MEDICAL SERVICE INC - 38-3255499, 25400 W. 8 MILE ROAD, SOUTHFIELD, MI 48034	AMBULANCE SERVICE	MICHIGAN	501(C)(3)	LINE 9	MCLAREN MEDICAL MANAGEMENT INC.	X	
THE CARDIAC INSTITUTE DBA MICHIGAN HEART & VASCULAR SPECIALISTS - 26-2774689, 416 CONNABLE AVENUE, PETOSKEY, MI 49770	PHYSICIAN PRACTICE	MICHIGAN	501(C)(3)	LINE 3	MCLAREN NORTHERN MICHIGAN	X	
VISITING NURSE SERVICE OF MICHIGAN - 38-3491714, 401 S. BALLENGER HWY. FLINT, MI 48532	HEALTH CARE SERVICES	MICHIGAN	501(C)(3)	LINE 9	MCLAREN HEALTH CARE CORPORATION	X	
VITALCARE, INC - 38-2527255 761 LAFAYETTE AVENUE CHEBOYGAN, MI 49721	HOSPICE CARE/HOME HEALTH SERVICES	MICHIGAN	501(C)(3)	LINE 9	MCLAREN NORTHERN MICHIGAN	X	
WOMENS HOSPITAL ASSOCIATION OF FLINT, MICHIGAN - 38-1358053, 401 S. BALLENGER HIGHWAY, FLINT, MI 48532	SUPPORTING ORGANIZATION	MICHIGAN	501(C)(3)	LINE 11A, I	MCLAREN HEALTH CARE CORPORATION	X	

Part V **Continuation of Transactions With Related Organizations** (Schedule R (Form 990), Part V, line 2)

(a) Name of other organization	(b) Transaction type (a-r)	(c) Amount involved	(d) Method of determining amount involved
(7)WILLOW ENTERPRISES	K	33,720.	ALLOCATION OF COST
(8)MARWOOD MANOR NURSING HOME	O	57,967.	ALLOCATION OF COST
(9)PARKVIEW PROPERTY MANAGEMENT CORP	O	14,227.	ALLOCATION OF COST
(10)PORT HURON HOSPITAL FOUNDATION	O	85,639.	ALLOCATION OF COST
(11)PARKVIEW PROPERTY MANAGEMENT CORP	O	39,825.	ALLOCATION OF COST
(12)PARKVIEW PROPERTY MANAGEMENT CORP	K	139,834.	ALLOCATION OF COST
(13)MCLAREN FLINT	P	28,928.	ALLOCATION OF COST
(14)MCLAREN MACOMB	O	3,365.	ALLOCATION OF COST
(15)MCLAREN HEALTH CARE CORPORATION	Q	133,583.	ALLOCATION OF COST
(16)MCLAREN HEALTH CARE CORPORATION	P	130,858.	ALLOCATION OF COST
(17)			
(18)			
(19)			
(20)			
(21)			
(22)			
(23)			
(24)			

Part IV Continuation of 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	(i) Section 512(b)(13) controlled entity? No
VITALCARE HOME MEDICAL EQUIPMENT, INC, - 38-2662954, 761 LAFAYETTE AVENUE, CHEBOYGAN, MI 49721	SALE AND RENTAL OF DURABLE MEDICAL EQUIPMENT	MI	N/A	C CORP	N/A	N/A	N/A		X
PETOSKEY ASSURANCE LTD - 98-0628316 68 WEST BAY ROAD,PO BOX 1109 , GRAND CAYMAN, CAYMAN ISLANDS KY1-1102	PROFESSIONAL AND GENERAL LIABILITY COVERAGE	CAYMAN ISLANDS	N/A	C CORP	N/A	N/A	N/A		X
RAPIN & RAPIN, INC, DBA PRESCRIPTION SERVICES PHARMACY - 38-3465261, 416 CONNABLE AVENUE, PETOSKEY, MI 49770	RETAIL PHARMACY	MI	N/A	C CORP	N/A	N/A	N/A		X
WILLOW ENTERPRISES - 38-2491659 PO BOX 5011 PORT HURON, MI 48061	SALE AND RENTAL OF MEDICAL EQUIPMENT	MI	N/A	C CORP	N/A	N/A	N/A		X
DELPHINUS INVESTMENT INC - 45-4758176 4100 JOHN R ST DETROIT, MI 48075	HOLD PASSIVE INVESTMENT	MI	N/A	C CORP	N/A	N/A	N/A		X

McLaren Health Care Corporation and Subsidiaries

Consolidated Financial Report with Additional Information September 30, 2014

McLaren Health Care Corporation and Subsidiaries

Contents

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Independent Auditor's Report

To the Board of Directors
McLaren Health Care Corporation
and Subsidiaries

Report on the Consolidated Financial Statements

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, 2014 and 2013 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the 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, 2014 and 2013 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 6, 2015 on our consideration of the McLaren Health Care Corporation and Subsidiaries' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering McLaren Health Care Corporation and Subsidiaries' internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 6, 2015

McLaren Health Care Corporation and Subsidiaries

Consolidated Balance Sheet
(in thousands)

	September 30, 2014	September 30, 2013
Assets		
Current Assets		
Cash and cash equivalents	$ 348,314	$ 261,374
Collateral from securities lending (Note 6)	1,802	3,648
Accounts receivable (Note 2)	267,677	220,135
Assets limited as to use for payment of current liabilities (Note 6)	3,357	3,329
Other current assets	85,154	73,041
Total current assets	706,304	561,527
Property and Equipment - Net (Note 5)	993,547	866,203
Other Assets (Note 6)	1,231,323	1,076,637
Total assets	**$ 2,931,174**	**$ 2,504,367**
Liabilities and Net Assets		
Current Liabilities		
Current portion of long-term debt (Note 8)	$ 24,456	$ 15,470
Notes payable (Note 9)	4,334	4,668
Accounts payable	239,355	176,352
Cost report settlements payable (Note 3)	33,280	28,725
Accrued and other liabilities (Note 10)	164,628	136,133
Total current liabilities	466,053	361,348
Long-term Debt - Net of current portion (Note 8)	662,934	616,590
Fair Value of Interest Rate Swap Agreements (Note 8)	31,871	31,501
Other Liabilities (Note 11)	345,882	273,639
Total liabilities	1,506,740	1,283,078
Net Assets		
Unrestricted	1,302,416	1,146,568
Temporarily restricted	56,164	24,372
Permanently restricted	65,854	50,349
Total net assets	1,424,434	1,221,289
Total liabilities and net assets	**$ 2,931,174**	**$ 2,504,367**

McLaren Health Care Corporation and Subsidiaries

Consolidated Statement of Operations
(in thousands)

	Year Ended	
	September 30, 2014	September 30, 2013
Unrestricted Revenue, Gains, and Other Support		
Patient service revenue	$ 6,272,385	$ 5,334,179
Revenue deductions	(4,020,491)	(3,341,861)
Net patient service revenue	2,251,894	1,992,318
Provision for bad debts	(122,093)	(117,089)
Net patient service revenue less provision for bad debts	2,129,801	1,875,229
Other (Note 1)	762,097	600,234
Net assets released from restrictions used for operations	11,123	2,597
Total unrestricted revenue, gains, and other support	2,903,021	2,478,060
Expenses		
Salaries and wages	943,637	835,299
Employee benefits and payroll taxes	204,519	192,197
Supplies	452,779	374,435
Outside services	358,255	296,049
Professional and other liability costs	13,915	16,968
Healthcare costs	430,401	334,960
Depreciation and amortization	95,408	93,379
Interest expense	23,461	24,945
Other	312,009	244,284
Total expenses (Note 16)	2,834,384	2,412,516
Operating Income	68,637	65,544
Nonoperating Income (Loss)		
Investment income (Note 6)	25,733	17,047
Change in interest rate swap agreements (Note 8)	(369)	10,789
Change in unrealized gains and losses on investments (Note 6)	45,903	92,164
Inherent contribution from acquisition of Karmanos and Port Huron (Note 18)	94,200	-
Total nonoperating income (loss)	165,467	120,000
Excess of Revenue Over Expenses	234,104	185,544
Other	(2,690)	(325)
Pension-related Changes Other Than Net Periodic Benefit Cost	(82,505)	156,412
Net Assets Released from Restriction	6,939	3,803
Increase in Unrestricted Net Assets	$ 155,848	$ 345,434

McLaren Health Care Corporation and Subsidiaries

Consolidated Statement of Changes in Net Assets
(in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Net Assets - October 1, 2012	$ 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
Net Assets - September 30, 2013	1,146,568	24,372	50,349	1,221,289
Excess of revenue over expenses	234,104	-	-	234,104
Restricted contributions	-	16,261	316	16,577
Restricted investment income	-	503	14	517
Change in unrealized gains and losses on investments	-	222	-	222
Increase in fair value of perpetual trust	-	-	1,267	1,267
Inherent contribution from acquisition (Note 18)	-	30,836	13,783	44,619
Other changes in net assets	(2,690)	2,032	125	(533)
Pension-related changes other than net periodic benefit cost	(82,505)	-	-	(82,505)
Net assets released from restriction	6,939	(18,062)	-	(11,123)
Increase in net assets	155,848	31,792	15,505	203,145
Net Assets - September 30, 2014	**$ 1,302,416**	**$ 56,164**	**$ 65,854**	**$ 1,424,434**

See Notes to Consolidated Financial Statements.

McLaren Health Care Corporation and Subsidiaries

Consolidated Statement of Cash Flows
(in thousands)

	Year Ended September 30, 2014	Year Ended September 30, 2013
Cash Flows from Operating Activities		
Increase in net assets	$ 203,145	$ 350,304
Adjustments to reconcile increase in net assets to net cash from operating activities:		
Depreciation and amortization of deferred charges	95,408	93,379
Net change in unrealized gains and losses on investments	(46,125)	(93,282)
Realized gains on investments	(8,231)	(9,905)
Income from unconsolidated subsidiaries	(5,658)	(1,583)
Pension-related changes other than periodic benefit costs	82,505	(156,412)
Increase in fair value of perpetual trusts	(1,267)	(2,726)
Loss on disposal of equipment	747	1,457
Change in fair value of interest rate swap agreements	369	(10,789)
Temporarily and permanently restricted contributions	(16,577)	(7,156)
Provision for bad debts	122,093	117,089
Inherent contribution for the acquisition of Karmanos and Port Huron	(138,819)	-
Changes in assets and liabilities which (used) provided cash - Net of assets acquired and liabilities assumed in connection with Karmanos and Port Huron acquisition (Note 18):		
Accounts receivable	(138,182)	(94,536)
Other current assets	24,351	(34,914)
Cost report settlements receivable	(1,634)	(4,300)
Other assets	(27,089)	(14,911)
Accounts payable	39,529	32,738
Accrued and other liabilities	28,495	(1,977)
Other liabilities	(98,599)	(42,257)
Net cash provided by operating activities	114,461	120,219
Cash Flows from Investing Activities		
Purchase of property and equipment	(102,272)	(93,015)
Proceeds from sale of property and equipment	563	312
Cash paid for intangibles	(900)	(1,279)
Purchase of investments	(121,512)	(203,080)
Proceeds from sale and maturities of investments	136,121	171,226
Cash proceeds from acquisition of Karmanos and Port Huron	40,521	-
Cash received from joint ventures	3,247	3,496
Net cash used in investing activities	(44,232)	(122,340)
Cash Flows from Financing Activities		
Change in funds held by trustee under bond indenture	(2,621)	4,952
Proceeds from issuance of debt obligations	42,763	-
Principal payment on long-term debt	(39,578)	(18,420)
Payments on bond financing	(96)	-
Payments on notes payable to bank	(334)	(5,234)
Temporarily and permanently restricted contributions	16,577	7,156
Net cash provided by (used in) financing activities	16,711	(11,546)
Net Increase (Decrease) in Cash and Cash Equivalents	86,940	(13,667)
Cash and Cash Equivalents - Beginning of year	261,374	275,041
Cash and Cash Equivalents - End of year	**$ 348,314**	**$ 261,374**
Supplemental Cash Flow Information - Cash paid for interest	**$ 24,119**	**$ 23,666**

Significant noncash investing and financing activity includes the affiliation of Karmanos and Port Huron as of January 1, 2014 and May 1, 2014, respectively (see Note 18).

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, Petoskey, Detroit, and Port Huron, 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 Port Huron (Port Huron)

Barbara Ann Karmanos Cancer Institute (Karmanos)

McLaren Medical Group (MMG)

McLaren Homecare Group (MHG)

McLaren Health Plan (MHP)

McLaren Bay Special Care (BSC)

McLaren Insurance Company, LTD (MICOL)

On January 1, 2014, the Corporation acquired Barbara Ann Karmanos Cancer Institute and its controlled nonstock affiliate and wholly owned taxable subsidiary, known collectively as Barbara Ann Karmanos Cancer Institute. On May 1, 2014, the Corporation acquired Port Huron Hospital and its nonstock subsidiaries and taxable subsidiary, known collectively as Port Huron Hospital and Subsidiaries (Note 18).

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.

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

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.

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 include 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.

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

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.

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.

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

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 Michigan (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, 2014 and 2013.

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).

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, research, clinical and outreach programs, 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 comprised of the estimated present value of the future cash receipts from certain trust assets and restricted investments held in perpetuity for research, clinical, and outreach programs. 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.

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

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.

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
September 30, 2014	$ 2,171,825	$ 80,069	$ 2,251,894
September 30, 2013	$ 1,915,091	$ 77,227	$ 1,992,318

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.

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

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.

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 $667,600,000 and $522,400,000 for the years ended September 30, 2014 and 2013, 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 - All subsidiares of the Corporation and qualifying medical staff, except for Port Huron, 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.

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

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.

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 were audited by the Internal Revenue Service for the 2012, 2011, and 2010 tax periods. The audits were recently settled and closed for all the subsidiaries involved in the audit, with the exception of MHP. The completion of the IRS audit for MHP is subject to completion of MHP's application to be recognized under Internal Revenue Code Section 501(c)(4). Subsequent to year end, MHP has submitted the application requesting exemption and is awaiting a response from the Internal Revenue Service. If MHP is not able to obtain recognition under Section 501(c)(4), the Internal Revenue Service could potentially proceed with revoking the tax-exempt status of MHP for the year ended December 31, 2010 and all years subsequent. The Corporation is currently in the process of responding to this proposed action. The financial statements have not been adjusted for any potential outcomes of this uncertainty at September 30, 2014 and 2013.

Management believes the Corporation is not subject to tax examinations for years prior to September 30, 2011.

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

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.

Subsequent Events - The consolidated financial statements and related disclosures include evaluation of events up through and including January 6, 2015, 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):

	2014	2013
Patient accounts receivable	$ 968,256	$ 774,098
Less allowance for uncollectible accounts	(98,942)	(97,245)
Less allowance for contractual adjustments	(646,983)	(476,773)
Net patient accounts receivable	222,331	200,080
Other	45,346	20,055
Total accounts receivable	$ 267,677	$ 220,135

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	
	2014	2013
Medicare	31	33
Blue Cross/Blue Shield of Michigan	13	11
Medicaid	17	18
Commercial insurance and HMOs	27	22
Self-pay	12	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.

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. The estimated cost of providing charity services is based on a calculation that applies a ratio of cost to charges to the gross uncompensated charges associated with providing care to charity patients. The ratio of cost to charges is calculated based on the Corporation's total expenses divided by gross patient service revenue. An estimate of charity and other uncompensated care for the medical centers is as follows (in thousands):

	2014	2013
Charity care cost	$ 23,334	$ 27,302
Cost in excess of reimbursement for county health plans (unaudited)	4,468	13,799
Cost in excess of reimbursement from government programs (unaudited)	142,042	115,854
Cost in excess of reimbursement for graduate medical education (unaudited)	16,394	15,897
Cost of community programs (unaudited)	21,085	17,421
Total	$ 207,323	$ 190,273

Note 4 - Community Benefit (Continued)

The cost of bad debt for the Corporation for the years ended September 30, 2014 and 2013 was approximately $38,900,000 and $40,200,000, respectively, which is reflected in the consolidated statement of operations as charges of $122,093,000 and $117,089,000, respectively.

Note 5 - Property and Equipment

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

	2014	2013	Depreciable Life - Years
Land	$ 70,833	$ 60,107	-
Land improvements	40,330	38,090	5-35
Buildings	915,622	839,317	20-40
Equipment	1,059,730	1,023,036	5-15
Construction in progress	145,954	105,979	-
Total cost	2,232,469	2,066,529	
Accumulated depreciation	(1,238,922)	(1,200,326)	
Net property and equipment	$ 993,547	$ 866,203	

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 $93,465,000 and $88,338,000 for the years ended September 30, 2014 and 2013, respectively.

Note 6 - Other Assets

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

	2014	2013
Investments:		
Assets limited as to use and permanently or temporarily restricted assets:		
Funds held by trustees under bond indentures	$ 19,886	$ 15,291
Funds held in trust for payment of professional and other liability claims (Note 14)	94,648	75,304
By board of trustees for future capital improvements	161,824	140,808
By the foundations - Funds held in trust for the benefit of MHC and its subsidiaries	83,532	77,900
By donors for specific purposes	15,547	12,554
Funds held in trust for payment of employee benefits	35,193	26,937
Total assets limited as to use and permanently or temporarily restricted assets	410,630	348,794
General investments	683,920	619,516
Investment in Anthelio (Note 15)	32,075	33,187
Total investments	1,126,625	1,001,497
Less amount for payment of current liabilities	(3,357)	(3,329)
Bond issue and other costs	5,211	6,322
Investment in joint ventures	35,537	29,082
Intangible assets	34,430	33,897
Pledges receivable and other	32,877	9,168
Total other assets	$ 1,231,323	$ 1,076,637

Note 6 - Other Assets (Continued)

Investments consist of the following (in thousands):

	2014	2013
Money market investments	$ 55,063	$ 36,873
Certificates of deposit and cash equivalents	20,613	9,896
Government securities	25,814	25,982
Mortgage-backed securities	186	166
Mutual funds	450,223	411,544
Corporate bonds	46,655	33,104
Common and preferred stocks	487,886	445,014
Due from trusts (Note 12)	40,185	38,918
Total	$ 1,126,625	$ 1,001,497

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, 2014 and 2013 (in thousands):

	2014	2013
Unrestricted investment income	$ 25,733	$ 17,047
Investment income on temporarily and permanently restricted investments	517	213
Change in net unrealized gains and losses on unrestricted investments	45,903	92,164
Change in net unrealized gains and losses on restricted investments	222	1,176
Total investment income	$ 72,375	$ 110,600

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, 2014 and 2013, the fair value of securities loaned in the portfolio was $1,960,000 and $3,806,000, respectively, while the collateral held was $1,802,000 and $3,648,000, 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.

Note 7 - Fair Value Measurements

Accounting standards require certain assets and liabilities be reported at fair value in the 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, 2014 and 2013 and the valuation techniques used by the Corporation to determine those fair values.

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 or liability. 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 or liability.

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 2014 and 2013.

Note 7 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2014

	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, 2014
Assets				
Mutual funds:				
Fixed-income investments	$ 213,893	$ -	$ -	$ 213,893
Equity investments	208,420	-	-	208,420
Balanced investments	6,153	-	-	6,153
Short-term investments	21,757	-	-	21,757
Total mutual funds	450,223	-	-	450,223
Common and preferred stocks:				
U.S. securities	210,408	-	-	210,408
Foreign securities	243,269	-	-	243,269
Preferred stocks	-	2,107	-	2,107
Short-term investments	27	-	-	27
Total common and preferred stocks	453,704	2,107	-	455,811
Debt securities:				
U.S. government and agencies	1,171	23,190	-	24,361
State government and agencies	-	1,000	-	1,000
Corporate bonds and notes	-	46,655	-	46,655
Residential mortgage-backed securities	-	186	-	186
Foreign governments	-	453	-	453
Total debt securities	1,171	71,484	-	72,655
Money market investments:				
Short-term investments	43,690	-	-	43,690
Fixed-income investments	9,880	395	-	10,275
Equity investments	1,098	-	-	1,098
Total money market investments	54,668	395	-	55,063
Collateral on securities lending arrangements	-	1,802	-	1,802
Due from trusts	-	40,185	-	40,185
Total assets	$ 959,766	$ 115,973	$ -	$ 1,075,739
Liabilities				
Obligations on secured lending arrangements	$ -	$ 1,960	$ -	$ 1,960
Interest rate swap agreements	-	31,871	-	31,871
Total liabilities	$ -	$ 33,831	$ -	$ 33,831

Note 7 - Fair Value Measurements (Continued)

Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2013

	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
Assets				
Mutual funds:				
Fixed-income investments	$ 198,579	$ 1,577	$ -	$ 200,156
Equity investments	193,211	-	-	193,211
Balanced investments	3,715	-	-	3,715
Short-term investments	14,462	-	-	14,462
Total mutual funds	409,967	1,577	-	411,544
Common and preferred stocks:				
U.S. securities	177,856	-	-	177,856
Foreign securities	231,520	-	-	231,520
Preferred stocks	-	2,451	-	2,451
Total common and preferred stocks	409,376	2,451	-	411,827
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
Total debt securities	1,235	58,017	-	59,252
Money market investments:				
Short-term investments	35,924	-	-	35,924
Fixed-income investments	281	-	-	281
Equity investments	668	-	-	668
Total money market investments	36,873	-	-	36,873
Collateral on securities lending arrangements	-	3,648	-	3,648
Due from trusts	-	38,918	-	38,918
Total assets	$ 857,451	$ 104,611	$ -	$ 962,062
Liabilities				
Obligations on secured lending arrangements	$ -	$ 3,806	$ -	$ 3,806
Interest rate swap agreements	-	31,501	-	31,501
Total liabilities	$ -	$ 35,307	$ -	$ 35,307

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, 2014 and 2013 included cash and certificates of deposit of $20,613,000 and $9,896,000, respectively, and an investment in Anthelio Healthcare Solutions, Inc. (Anthelio) recorded at cost of $32,075,000 and $33,187,000 at September 30, 2014 and 2013, 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 table above.

The fair value of the fixed-income mutual funds, preferred stocks, debt securities, securities lending, due from trusts, and swap arrangements at September 30, 2014 and 2013 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):

	2014	2013
McLaren Health Care Series 2014A	$ 36,220	$ -
McLaren Health Care Series 2012A	95,060	100,355
McLaren Health Care Series 2010	67,125	67,125
McLaren Health Care Series 2008A	204,285	208,537
McLaren Health Care Series 2008B	155,859	158,320
McLaren Health Care Series 2005C	74,356	75,170
Unamortized premium	8,085	9,284
Subtotal	640,990	618,791
Promissory notes	4,700	-
Line of credit	10,000	-
Other	31,700	13,269
Total	687,390	632,060
Less current portion	24,456	15,470
Long-term portion	$ 662,934	$ 616,590

Note 8 - Long-term Debt (Continued)

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, Central, Port Huron; 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.

In September 2014, the Michigan Finance Authority issued the Hospital Revenue Refunding Bonds (McLaren Health Care), Series 2014A, totaling $36,220,000. The proceeds of the bonds were used to refund the following outstanding bonds: Michigan Finance Authority Revenue Refunding Bonds (Port Huron Hospital Obligated Group), Series 2011A and Michigan Finance Authority Hospital Revenue and Refunding Bonds (Port Huron Hospital Obligated Group), Series 2011B. The bond bears interest at 3.00 percent and annual principal of $3,622,000 through 2024. The bonds are secured by the gross revenue of the Credit Group.

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 4.0 percent to 5.0 percent and annual maturities ranging from $5,495,000 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.

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.

Note 8 - Long-term Debt (Continued)

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 $3,335,000 in 2015 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.

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 $855,000 to $14,550,000. The bonds bear fixed interest rates ranging from 4.75 percent to 5.0 percent.

Under the terms of the revenue bond indentures, the revenue bonds are subject to certain financial covenants calculated on a quarterly basis. As of September 30, 2014, management believes that the Corporation was in compliance with financial covenants.

Karmanos has various promissory notes that are due to a financial institution and are guaranteed by various donors. Donors have committed to support and guarantee various components of donor-collateralized debt. These pledges are reflected as other assets in the consolidated balance sheet and follow the maturity schedules of the debt instruments. Interest is payable quarterly at an interest rate of 3.00 percent over the LIBOR-based rate, for an effective rate of 3.23 percent. The promissory notes mature on October 1, 2015 and are subject to certain financial covenants calculated on a quarterly basis. As of September 30, 2014, management believes that Karmanos was in compliance with debt covenants.

Note 8 - Long-term Debt (Continued)

Karmanos has a bank line of credit with a financial institution in the amount of $12,000,000, and is collateralized by certain hospital patient accounts receivable. The line of credit has monthly interest payments at LIBOR plus an applicable margin rate, for an effective rate of 1.73 percent at September 30, 2014. There are no principal payments due until maturity on October 1, 2015. At September 30, 2014 there was $10,000,000 outstanding on the line of credit.

Scheduled minimum principal payments on long-term debt to maturity as of September 30, 2014 are as follows (in thousands):

2015	$	24,456
2016		40,641
2017		22,729
2018		21,337
2019		19,876
Thereafter		550,266
Subtotal		679,305
Unamortized premium		8,085
Total	$	687,390

Derivatives

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

(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.

Note 8 - Long-term Debt (Continued)

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.

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, 2014 or September 30, 2013. The Corporation's accounting policy is to not 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.

Note 8 - Long-term Debt (Continued)

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 $80,860,000 and $83,320,000 at September 30, 2014 and 2013, 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 2014 or 2013.

The Corporation's interest rate swap liability was $31,871,000 and $31,501,000 at September 30, 2014 and 2013, respectively. The amount of (loss) gain recognized in the consolidated statement of operations attributable to derivative instruments as changes in fair market value of interest rate swap agreements was ($369,000) and $10,789,000 for the years ended September 30, 2014 and 2013, respectively.

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 whereby the interest rate is based on an adjusted LIBOR which ranged from .80 percent to 1.21 percent at September 30, 2014, and ranged from .91 percent to 1.32 percent at September 30, 2013. The line of credit agreement expires on August 30, 2015.

There was $4,334,000 and $4,668,000 outstanding on the line of credit as of September 30, 2014 and 2013, respectively.

Note 10 - Accrued and Other Liabilities

The details of accrued liabilities at September 30, 2014 and 2013 are as follows (in thousands):

	2014	2013
Payroll and related items	$ 60,577	$ 53,048
Compensated absences	43,950	37,299
Professional and other liability claims - Current portion (Note 14)	6,441	4,241
Interest	7,808	8,133
Obligations under securities lending (Note 6)	1,960	3,806
Amounts due to others	14,179	-
Other	29,713	29,606
Total accrued liabilities	$ 164,628	$ 136,133

Amounts due to others represent expenses and transfers recorded by Karmanos, including ancillary and nonancillary services from various entities for leased facilities and research support consistent with affiliation agreements.

Note 11 - Other Liabilities

The detail of other liabilities at September 30, 2014 and 2013 is given below (in thousands):

	2014	2013
Accrued defined contribution pension cost	$ 4,186	$ 7,228
Accrued defined benefit pension cost (Note 13)	173,260	102,954
Accrued postretirement benefit cost (Note 13)	38,706	44,172
Accrued professional and other liability claims (Note 14)	91,169	88,781
Other	38,561	30,504
Total other liabilities	$ 345,882	$ 273,639

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):

	2014	2013
Minnie I. Ballenger Trust	$ 39,198	$ 37,961
William S. Ballenger Trust	987	957
Total	$ 40,185	$ 38,918

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 2014, the Corporation acquired Port Huron, which resulted in the Corporation assuming the existing defined benefit pension plan obligations for the employees of Port Huron that participate in the defined benefit pension plans sponsored by Port Huron. The plan's funded status at May 1, 2014 was $133,758,878. Activity and funded status of the plan are included within the tables below. The plan was frozen prior to the Corporation acquiring Port Huron.

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 was frozen for all nonbargaining group employees effective October 1, 2012 and was frozen 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. Lapeer benefits were frozen for a specific employee group during 2014. As of September 30, 2014, essentially all the defined benefit plans have been frozen for future benefit accruals.

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

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.

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. During 2014, benefits were frozen for certain employee groups under this plan.

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

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

Obligations and Funded Status (in thousands)

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Change in Benefit Obligation				
Benefit obligation at beginning of year	$ 964,986	$ 1,044,825	$ 44,172	$ 50,148
Benefit obligation at acquisition - Port Huron	133,759	-	-	-
Service cost	2,268	11,118	999	1,163
Interest cost	50,337	46,212	1,992	2,184
Plan participants' contributions	-	-	935	917
Amendments	-	205	(8,381)	-
Actuarial (gain) loss	98,850	(63,847)	1,649	(7,705)
Curtailments	-	(28,964)	-	-
Benefits and expenses	(51,892)	(44,563)	(2,660)	(2,535)
Benefit obligation at end of year	1,198,308	964,986	38,706	44,172
Change in Plan Assets				
Fair value of plan assets at beginning of year	862,032	748,176	-	-
Fair value of plan assets at acquisition - Port Huron	93,201	-	-	-
Actual return on plan assets	69,633	99,856	-	-
Employer contributions	51,871	56,435	1,820	1,618
Plan participants' contributions	-	-	935	917
Benefits paid	(51,689)	(42,435)	(2,755)	(2,535)
Fair value of plan assets at end of year	1,025,048	862,032	-	-
Funded status at end of year	$ 173,260	$ 102,954	$ 38,706	$ 44,172

The accumulated benefit obligation for all defined benefit pension plans was $1,191,166,479 and $961,022,904 at September 30, 2014 and 2013, respectively.

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

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

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Net Periodic Benefit Cost				
Service cost	$ 2,268	$ 10,913	$ 999	$ 1,163
Interest cost	50,337	46,212	1,992	2,184
Expected return on plan assets	(70,061)	(65,915)	-	-
Amortization of prior service cost (credits)	7,785	21,712	(826)	433
Settlement and curtailment change	3,076	(835)	-	-
Total net periodic benefit cost (benefit)	$ (6,595)	$ 12,087	$ 2,165	$ 3,780
Other Changes in Plan Assets and Benefit Obligations				
Net gain (loss)	$ 373,787	$ 286,107	$ 202	$ (1,619)
Amortization of transition asset	(3)	(3)	(19)	(51)
Prior services credit	(202)	(254)	(5,014)	2,066
Total other changes in plan assets and benefit obligations	$ 373,582	$ 285,850	$ (4,831)	$ 396

Assumptions

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

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	4.50 %	5.10 %	4.50 %	5.10 %

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

	Pension Benefits		Other Postretirement Benefits	
	2014	2013	2014	2013
Discount rate	5.10 %	4.50 %	5.10 %	4.50 %
Expected long-term return on plan assets	8.00	8.50	-	-

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, 2014 and 2013. The rate of compensation increase assumption for the net periodic benefit cost is age graded for 2014 and 2013.

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.

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

The fair values of the Corporation's pension plan assets at September 30, 2014 and 2013, by major asset classes, are as follows (in thousands):

Fair Value Measurements at September 30, 2014

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Asset Classes				
Mutual funds:				
Equity investments	$ 274,534	$ 274,534	$ -	$ -
Fixed-income investments	200,135	-	200,135	-
Equity investments:				
Common stock	244,689	244,689	-	-
Preferred stock	4,181	-	4,181	-
Foreign	190,761	190,761	-	-
Other:				
Money market fund	89,597	89,597	-	-
Bond fund	553	-	553	-
U.S. government agencies	3,724	3,724	-	-
Mortgage-backed securities	8,697	-	8,697	-
Fund of funds	8,177	-	8,177	-
Total	$ 1,025,048	$ 803,305	$ 221,743	$ -

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)
Asset Classes				
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 and other	193,766	193,766	-	-
Other:				
Money market fund	7,385	7,385	-	-
Bond fund	639	-	639	-
Total	$ 862,032	$ 618,707	$ 243,325	$ -

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

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.

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 2014 and 2013.

Cash Flow

Contributions

The Corporation expects to contribute $43,890,530 to its pension plans and $1,945,958 to its other postretirement benefit plans in 2015.

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
2015	$ 53,359	$ 1,946
2016	57,232	2,004
2017	57,592	2,057
2018	60,726	2,029
2019	63,669	2,027
2020-2024	374,581	10,395

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, Karmanos, 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. Effective April 1, 2014, Karmanos began participating in MICOL.

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

Note 14 - Professional and Other Liability Insurance (Continued)

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.

Prior to April 1, 2012, Northern was insured against potential professional liability claims through its 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.

Note 14 - Professional and Other Liability Insurance (Continued)

Prior to April 1, 2014, Karmanos was insured against medical malpractice claims under a claims-based policy, whereby only the claims reported to the insurance carrier during the policy period were covered regardless of when the incident giving rise to the claim occurred. MICOL covers claims reported after April 1, 2014.

Port Huron maintains a program of self-insurance for professional and other liability claims. A revocable trust is maintained with a trustee to provide funds for payment of any future settlements. Port Huron makes necessary contributions to the trust fund, as determined by an independent actuary, to adequately provide for asserted or expected claims.

At September 30, 2014, Port Huron made provisions for the estimated losses in connection with those professional and other liability claims for incidents occurring during the year then ended for which amounts can be reasonably estimated, including provision for claims incurred by not reported at year end. Estimates are based upon projections by an independent actuary and the evaluation of claims of substance by professional liability legal counsel.

The assets of the Port Huron self-insurance revocable trusts are included in the consolidated balance sheet with assets limited as to use.

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

	2014	2013
Total professional and other liability claims	$ 97,610	$ 93,022
Less current portion (Note 10)	(6,441)	(4,241)
Long-term portion (Note 11)	$ 91,169	$ 88,781

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.

Note 15 - Investment in Anthelio Healthcare Solutions, Inc. (Continued)

The investment in common stock of Anthelio is included in other assets at a basis of approximately $32,000,000 and $33,000,000 at September 30, 2014 and 2013, respectively. In 2010, the Corporation negotiated a five-year contract extension with Anthelio, for which it 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, 2014 and 2013, the Corporation and its subsidiaries purchased services from Anthelio of approximately $103,972,000 and $105,728,000, respectively.

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):

	2014	2013
Healthcare services	$ 2,111,730	$ 1,778,199
General and administrative	722,654	634,317
Total	$ 2,834,384	$ 2,412,516

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 - Investments are recorded at fair value in the accompanying financial statements. Fair value is determined based on the fair value measurement principles described in Note 7.

Accounts Receivable, Accounts Payable, and Accrued Liabilities - The carrying amounts reported in the consolidated balance sheet for accounts receivable, accounts payable, and accrued liabilities approximate their fair values.

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

Note 17 - Fair Value of Financial Instruments (Continued)

Long-term Debt - The fair value of the Corporation's bonds are estimated based on current traded value. The fair value of the Corporation's 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:

	Carrying Amount	Fair Value
2014 long-term debt	$ 687,390	$ 701,411
2013 long-term debt	$ 632,060	$ 650,832

Note 18 - Acquisitions

On January 1, 2014, the Corporation acquired Barbara Ann Karmanos Cancer Institute (Karmanos). The Corporation's board of directors provides governance oversight of Karmanos' assets and operations. The accompanying consolidated financial statements represent the results of operations for the nine-month period as of the acquisition date of January 1, 2014 and ending on September 30, 2014, the Corporation's fiscal year end.

The transaction has been accounted for as an acquisition in accordance with FASB Accounting Standards Codification Topic 958-805, *Not-for-Profit Entities: Mergers and Acquisitions*. The assets and liabilities of Karmanos have been adjusted to fair value as of January 1, 2014. The fair value of the net assets on January 1, 2014 acquired from Karmanos was approximately $53,895,000. The net assets, based on fair value calculations, are reflected as inherent contributions due to the acquisition in the consolidated statement of operations and statement of changes in net assets at January 1, 2014. 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 excluding the inherent contribution of Karmanos' excess of revenue over expenses for the nine-month period ended September 30, 2014 that is included in the Corporation's financial statements is $1,578,000. The amount of Karmanos' operating revenue, excess of revenue over expense, and changes in unrestricted net assets for the 12-month period ended September 30, 2014 was $251,821,000, ($1,143,000), and $27,311,000, respectively (unaudited).

The Corporation acquired cash of $13,482,000, accounts receivable of $20,735,000; other current assets of $30,341,000; property, plant, and equipment of $43,158,000; other assets of $32,627,000; accounts payable of $16,466,000; debt of $33,231,000; other liabilities of $29,544,000; and cost report settlements of $7,207,000 at January 1, 2014.

Note 18 - Acquisitions (Continued)

On May 1, 2014, the Corporation acquired Port Huron Hospital (PHH). At the time of acquisition, PHH's name was changed to McLaren Port Huron. The Corporation's board of directors provides governance oversight of Port Huron's assets and operations. The accompanying consolidated financial statements represent the results of operations for the five-month period as of the acquisition date of May 1, 2014 and ending on September 30, 2014, the Corporation's fiscal year end.

The transaction has been accounted for as an acquisition in accordance with FASB Accounting Standards Codification Topic 958-805, *Not-for-Profit Entities: Mergers and Acquisitions*. The assets and liabilities of Port Huron have been adjusted to fair value as of May 1, 2014. The fair value of the net assets on May 1, 2014 acquired from Port Huron, including the Port Huron Foundation, was approximately $84,924,000. The net assets, based on fair value calculations, are reflected as inherent contributions due to the acquisition in the consolidated statement of operations and statement of changes in net assets at May 1, 2014. 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 Port Huron's excess of revenue over expenses for the five-month period ended September 30, 2014 that is included in the Corporation's financial statements is $4,048,000, excluding the inherent contribution recognized. The amount of Port Huron's operating revenue, excess of revenue over expense, and changes in unrestricted net assets for the 12-month period ended September 30, 2014 was $187,629,000, $6,164,000, and $86,356,000, respectively (unaudited).

The Corporation acquired cash of $27,039,000; accounts receivable of $10,718,000; cost report receivables of $3,461,000; other current assets of $4,277,000; property, plant, and equipment of $78,391,000; other assets of $50,629,000; accounts payable of $9,481,000; debt of $18,914,000; other liabilities of $58,753,000; and cost report settlements of $2,443,000 at May 1, 2014.

The Corporation is required to disclose the unaudited pro forma financial information that presents the combined results of operations of the Corporation and the entities for the year ended September 30, 2013 as though the business combination transactions had occurred on October 1, 2012. The unaudited pro forma financial information for the year ended September 30, 2013 for operating revenue, excess of revenue over expense, and the changes in unrestricted, temporarily, and permanently restricted net assets was approximately $450,700,000, $14,900,000, $28,800,000, ($500,000), and $50,000, respectivley. This pro forma financial information is not necessarily indicative of the results of the operations that would have occurred had the Corporation and the entities constituted a single entity during those periods, nor is it necessarily indicative of future operating results.

Note 19 - Operating Leases

The Corporation is obligated under certain operating leases, primarily for facilities and medical equipment. Total rent expense under these leases was approximately $16,375,000 for the year ended September 30, 2014.

The following is a schedule of future minimum lease payments under operating leases that have initial or remaining lease terms in excess of one year (in thousands):

Years Ending September 30		Total
2015	$	14,933
2016		11,153
2017		9,746
2018		8,073
2019		7,339
Thereafter		16,574
Total	$	67,818

Note 20 - Subsequent Event

The Corporation entered into an acquisition agreement with Mid-Michigan Physicians (MMP), pursuant to which the Corporation would become the sole member of MMP. The boards of directors of the Corporation and MMP have approved the agreement. MMP is a multispecialty group based in Lansing, Michigan. The effective date of the transaction is January 1, 2015. Management has not completed the initial accounting for this transaction and therefore no disclosures related to recognized goodwill or supplemental pro forma information related to revenue of MMP from the transaction are included in the consolidated financial statements.

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, 2014 and 2013, and have issued our report thereon dated January 6, 2015 which contained an unmodified opinion on those financial statements. 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 purposes 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 6, 2015

McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland	Central
Assets								
Current Assets								
Cash and cash equivalents	$ 14,839	$ 9,593	$ 11,164	$ 15,252	$ 11,515	$ 20,518	$ 24,073	$ 11,210
Collateral from securities lending	1,802	-	-	-	-	-	-	-
Accounts receivable	-	64,669	43,966	11,815	29,692	16,372	8,003	8,346
Cost report settlements receivable	-	2,253	-	-	-	1,709	-	-
Assets limited as to use for payment of current liabilities	-	1,000	-	500	-	-	1,576	-
Other current assets	50,737	12,568	6,148	2,769	8,618	9,878	3,551	2,488
Total current assets	67,378	90,083	61,278	30,336	49,825	48,477	37,203	22,044
Property and Equipment - Net	128,081	202,850	98,761	21,560	97,266	119,116	34,494	24,254
Other Assets	130,115	176,421	208,039	37,554	92,890	188,613	33,476	29,598
Total assets	**$ 325,574**	**$ 469,354**	**$ 368,078**	**$ 89,450**	**$ 239,981**	**$ 356,206**	**$ 105,173**	**$ 75,896**
Liabilities and Net Assets								
Current Liabilities								
Current portion of long-term debt	$ 471	$ 2,652	$ 1,639	$ 1,972	$ 3,112	$ 3,276	$ 1,110	$ 1,265
Notes payable	-	-	4,000	-	-	-	-	-
Accounts payable	23,963	21,549	24,772	4,624	16,941	14,817	4,474	1,885
Cost report settlements payable	-	-	6,506	381	3,821	-	8,894	2,765
Accrued and other liabilities	13,963	23,009	16,298	5,550	11,468	16,312	6,809	5,198
Total current liabilities	38,397	47,210	53,215	12,527	35,342	34,405	21,287	11,113
Long-term Debt - Net of current portion	9,409	184,308	49,722	36,315	102,735	143,049	35,237	8,425
Fair Value of Interest Rate Swap Agreements	31,871	-	-	-	-	-	-	-
Other Liabilities	129,963	77,798	27,241	7,391	29,216	23,192	10,460	979
Total liabilities	209,640	309,316	130,178	56,233	167,293	200,646	66,984	20,517
Net Assets								
Unrestricted	115,587	157,854	237,387	33,215	72,688	155,225	36,402	54,446
Temporarily restricted	347	2,099	41	2	-	335	1,787	776
Permanently restricted	-	85	472	-	-	-	-	157
Total net assets	115,934	160,038	237,900	33,217	72,688	155,560	38,189	55,379
Total liabilities and net assets	**$ 325,574**	**$ 469,354**	**$ 368,078**	**$ 89,450**	**$ 239,981**	**$ 356,206**	**$ 105,173**	**$ 75,896**

Consolidating Balance Sheet
September 30, 2014
(in thousands)

Northern	Port Huron	Karmanos	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminating Entries	Total
$ 11,843	$ 35,991	$ 21,032	$ 4,587	$ 13	$ 143,615	$ 2,131	$ 7,495	$ 3,443	$ -	$ 348,314
-	-	-	-	-	-	-	-	-	-	1,802
19,865	17,943	23,160	4,158	13,574	7,071	1,350	-	1,170	(3,477)	267,677
-	-	-	-	-	-	-	-	-	(3,962)	-
281	-	-	-	-	-	-	-	-	-	3,357
10,527	6,565	6,921	1,238	6,880	1,272	119	1,849	110	(47,084)	85,154
42,516	60,499	51,113	9,983	20,467	151,958	3,600	9,344	4,723	(54,523)	706,304
82,210	79,775	52,985	20,330	13,677	6,067	1,494	-	11,750	(1,123)	993,547
60,497	51,802	61,273	14,098	21,997	38,743	21,222	73,480	101,921	(110,416)	1,231,323
$ 185,223	**$ 192,076**	**$ 165,371**	**$ 44,411**	**$ 56,141**	**$ 196,768**	**$ 26,316**	**$ 82,824**	**$ 118,394**	**$ (166,062)**	**$ 2,931,174**
$ 1,880	$ 3,776	$ 3,303	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 24,456
334	-	-	-	-	-	-	-	-	-	4,334
16,743	8,791	21,683	2,398	2,668	109,853	375	51	2,726	(38,958)	239,355
1,517	2,436	9,879	-	-	-	1,043	-	-	(3,962)	33,280
13,344	9,445	24,669	6,611	28,268	7,742	432	-	220	(24,710)	164,628
33,818	24,448	59,534	9,009	30,936	117,595	1,850	51	2,946	(67,630)	466,053
30,118	32,621	30,995	-	-	-	-	-	-	-	662,934
-	-	-	-	-	-	-	-	-	-	31,871
11,261	50,743	2,658	10,351	1,808	779	-	58,261	238	(96,457)	345,882
75,197	107,812	93,187	19,360	32,744	118,374	1,850	58,312	3,184	(164,087)	1,506,740
110,026	84,260	30,032	25,051	23,397	78,394	24,466	24,512	41,449	(1,975)	1,302,416
-	4	28,750	-	-	-	-	-	22,023	-	56,164
-	-	13,402	-	-	-	-	-	51,738	-	65,854
110,026	84,264	72,184	25,051	23,397	78,394	24,466	24,512	115,210	(1,975)	1,424,434
$ 185,223	**$ 192,076**	**$ 165,371**	**$ 44,411**	**$ 56,141**	**$ 196,768**	**$ 26,316**	**$ 82,824**	**$ 118,394**	**$ (166,062)**	**$ 2,931,174**

McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
Assets							
Current Assets							
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
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	48,802	30,484	48,045	36,813	49,127
Property and Equipment - Net	119,594	198,247	99,830	23,925	104,752	120,028	34,618
Other Assets	138,938	165,585	192,813	35,565	93,685	181,326	30,537
Total assets	**$ 314,612**	**$ 463,339**	**$ 341,445**	**$ 89,974**	**$ 246,482**	**$ 338,167**	**$ 114,282**
Liabilities and Net Assets							
Current Liabilities							
Current portion of long-term debt	$ 455	$ 2,734	$ 949	$ 1,005	$ 3,079	$ 3,562	$ 664
Notes payable	-	-	-	-	1,000	-	-
Accounts payable	16,286	17,641	11,729	3,550	16,311	14,095	17,723
Cost report settlements payable	-	807	5,570	91	1,136	5,018	6,284
Accrued and other liabilities	17,360	25,808	15,703	5,311	14,942	16,002	6,489
Total current liabilities	34,101	46,990	33,951	9,957	36,468	38,677	31,160
Long-term Debt - Net of current portion	10,011	187,057	50,705	38,284	106,315	146,286	35,654
Fair Value of Interest Rate Swap Agreements	31,501	-	-	-	-	-	-
Other Liabilities	118,523	62,018	38,205	9,319	24,313	17,579	8,810
Total liabilities	194,136	296,065	122,861	57,560	167,096	202,542	75,624
Net Assets							
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	**$ 314,612**	**$ 463,339**	**$ 341,445**	**$ 89,974**	**$ 246,482**	**$ 338,167**	**$ 114,282**

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
-	249	-	-	-	-	-	-	-	3,329
2,980	10,626	1,500	9,120	746	89	2,824	38	(25,427)	73,041
24,453	45,127	9,245	22,087	100,533	3,414	14,222	6,286	(32,698)	561,527
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
$ 78,919	**$ 188,506**	**$ 41,826**	**$ 54,986**	**$ 152,157**	**$ 23,104**	**$ 82,807**	**$ 106,840**	**$ (133,079)**	**$2,504,367**
$ 1,197	$ 1,825	$ -	$ 519	$ -	$ -	$ -	$ -	$ (519)	$ 15,470
3,000	668	-	-	-	-	-	-	-	4,668
2,295	21,036	2,843	6,190	75,289	378	46	1,108	(30,168)	176,352
2,221	6,622	-	-	-	976	-	-	-	28,725
6,690	11,835	4,829	19,455	5,915	524	-	280	(15,010)	136,133
15,403	41,986	7,672	26,164	81,204	1,878	46	1,388	(45,697)	361,348
9,893	32,385	-	-	-	-	-	-	-	616,590
-	-	-	-	-	-	-	-	-	31,501
929	7,012	6,303	2,274	601	-	62,949	211	(85,407)	273,639
26,225	81,383	13,975	28,438	81,805	1,878	62,995	1,599	(131,104)	1,283,078
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
$ 78,919	**$ 188,506**	**$ 41,826**	**$ 54,986**	**$ 152,157**	**$ 23,104**	**$ 82,807**	**$ 106,840**	**$ (133,079)**	**$2,504,367**

McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland	Central
Unrestricted Revenue, Gains, and Other Support								
Patient service revenue	$ -	$ 1,464,765	$ 890,867	$ 422,317	$ 861,221	$ 847,570	$ 367,526	$ 261,287
Revenue deductions	-	(1,029,388)	(613,425)	(301,054)	(569,280)	(547,264)	(190,218)	(172,135)
Net patient service revenue	-	435,377	277,442	121,263	291,941	300,306	177,308	89,152
Provision for bad debts	-	(23,407)	(11,432)	(14,746)	(15,776)	(6,268)	(19,563)	(7,636)
Net patient service revenue less provision for bad debts	-	411,970	266,010	106,517	276,165	294,038	157,745	81,516
Other	133,429	11,320	12,468	3,958	9,222	9,121	6,331	2,739
Net assets released from restrictions used for operations	-	1,539	-	-	-	654	533	21
Total unrestricted revenue, gains, and other support	133,429	424,829	278,478	110,475	285,387	303,813	164,609	84,276
Expenses								
Salaries and wages	23,961	181,381	122,269	48,595	110,601	122,673	66,892	36,219
Employee benefits and payroll taxes	6,168	43,636	25,920	11,024	28,807	27,023	14,781	6,464
Supplies	330	75,501	57,107	16,885	66,111	48,068	32,254	13,010
Outside services	75,284	39,064	23,995	4,826	33,874	41,057	30,017	7,532
Professional and other liability costs	299	1,191	375	667	908	178	806	1,045
Healthcare costs	-	-	-	-	-	-	-	-
Depreciation and amortization	16,310	18,854	10,370	4,960	12,993	16,307	5,540	5,484
Interest expense	478	4,175	2,374	1,793	4,549	6,717	1,594	313
Other	9,277	42,904	27,179	18,870	31,724	24,375	8,228	12,316
Total expenses	132,107	406,706	269,589	107,620	289,567	286,398	160,112	82,383
Operating Income (Loss)	1,322	18,123	8,889	2,855	(4,180)	17,415	4,497	1,893
Nonoperating Income (Loss)								
Investment income	1,604	2,986	3,867	693	6,490	3,395	379	314
Change in interest rate swap agreements	(369)	-	-	-	-	-	-	-
Change in unrealized gains and losses on investments	3,963	8,018	9,749	1,517	3,935	7,566	1,101	728
Inherent contribution (Note 18)	-	-	-	-	-	-	-	-
Total nonoperating income	5,198	11,004	13,616	2,210	10,425	10,961	1,480	1,042
Excess of Revenue Over (Under) Expenses	6,520	29,127	22,505	5,065	6,245	28,376	5,977	2,935
Net Assets Transferred (to) from Affiliate	(7,896)	(2,156)	(3,412)	(602)	(1,281)	(1,289)	(635)	(337)
Other	-	-	-	-	-	-	(418)	-
Pension-related Changes Other Than Net Periodic Benefit Cost	(3,458)	(33,937)	223	(3,774)	(11,662)	(7,174)	(6,090)	-
Net Assets Released from Restriction	-	738	-	112	-	-	-	67
(Decrease) Increase in Unrestricted Net Assets	$ (4,834)	$ (6,228)	$ 19,316	$ 801	$ (6,698)	$ 19,913	$ (1,166)	$ 2,665

Consolidating Statement of Operations
Year Ended September 30, 2014
(in thousands)

Northern	Port Huron	Karmanos	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminations	Total
$ 649,516	$ 214,002	$ 523,235	$ 8,155	$ 81,706	$ -	$ 28,622	$ -	$ -	$ (348,404)	$ 6,272,385
(376,993)	(133,583)	(349,895)	(3,445)	(11,263)	-	(17,762)	-	-	295,214	(4,020,491)
272,523	80,419	173,340	4,710	70,443	-	10,860	-	-	(53,190)	2,251,894
(9,303)	(4,653)	(3,827)	(1,987)	(3,366)	-	(129)	-	-	-	(122,093)
263,220	75,766	169,513	2,723	67,077	-	10,731	-	-	(53,190)	2,129,801
10,029	3,915	18,781	14,835	775	667,602	27	7,960	5,036	(155,451)	762,097
-	-	6,504	-	-	-	-	-	1,872	-	11,123
273,249	79,681	194,798	17,558	67,852	667,602	10,758	7,960	6,908	(208,641)	2,903,021
106,159	34,166	58,180	7,968	26,649	15,101	4,173	-	1,688	(23,038)	943,637
17,143	6,153	13,358	2,390	6,467	-	1,156	-	55	(6,026)	204,519
63,792	15,608	36,604	162	26,669	-	960	-	33	(315)	452,779
11,538	11,084	60,071	4,187	4,181	9,678	1,689	-	178	-	358,255
984	(236)	633	1,235	-	-	-	7,656	-	(1,826)	13,915
-	-	-	-	-	481,857	-	-	-	(51,456)	430,401
8,001	3,540	4,019	1,374	901	1,728	164	-	-	(15,137)	95,408
1,108	263	563	-	-	-	-	-	-	(466)	23,461
55,512	5,350	19,484	266	5,937	151,719	685	304	8,256	(110,377)	312,009
264,237	75,928	192,912	17,582	70,804	660,083	8,827	7,960	10,210	(208,641)	2,834,384
9,012	3,753	1,886	(24)	(2,952)	7,519	1,931	-	(3,302)	-	68,637
3,973	82	138	6	313	364	402	-	727	-	25,733
-	-	-	-	-	-	-	-	-	-	(369)
578	213	(446)	-	816	535	907	4,700	2,023	-	45,903
-	81,016	12,198	-	-	-	-	-	986	-	94,200
4,551	81,311	11,890	6	1,129	899	1,309	4,700	3,736	-	165,467
13,563	85,064	13,776	(18)	(1,823)	8,418	3,240	4,700	434	-	234,104
(714)	1,852	15,549	(230)	(224)	(1)	-	-	1,376	-	-
-	-	(1,496)	-	-	-	-	-	(776)	-	(2,690)
(9,946)	(2,656)	-	(2,552)	(1,104)	(375)	-	-	-	-	(82,505)
-	-	2,203	-	-	-	-	-	3,819	-	6,939
$ 2,903	**$ 84,260**	**$ 30,032**	**$ (2,800)**	**$ (3,151)**	**$ 8,042**	**$ 3,240**	**$ 4,700**	**$ 4,853**	**$ -**	**$ 155,848**

McLaren Health Care Corporation and Subsidiaries

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland
Unrestricted Revenue, Gains, and Other Support							
Patient service revenue	$ -	$ 1,413,816	$ 825,060	$ 397,415	$ 884,923	$ 773,480	$ 343,299
Revenue deductions	-	(970,866)	(554,508)	(276,802)	(580,205)	(480,419)	(175,255)
Net patient service revenue	-	442,950	270,552	120,613	304,718	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	285,048	282,208	149,386
Other	125,989	13,122	9,651	3,989	8,198	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	293,246	290,979	154,384
Expenses							
Salaries and wages	21,150	175,559	117,422	46,147	121,499	114,620	61,267
Employee benefits and payroll taxes	5,458	53,428	25,333	12,876	27,704	25,921	12,481
Supplies	266	72,979	54,313	16,469	59,337	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	798	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	40,971	27,744	17,944	33,203	13,465	8,654
Total expenses	123,774	409,929	260,762	106,566	296,650	272,950	149,682
Operating Income (Loss)	2,215	20,976	6,731	6,397	(3,404)	18,029	4,702
Nonoperating Income (Loss)							
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 nonoperating income (loss)	23,655	20,259	25,035	3,781	10,838	16,825	2,723
Excess of Revenue Over (Under) Expenses	25,870	41,235	31,766	10,178	7,434	34,854	7,425
Net Assets Transferred from (to) Affiliate	7,762	(1,599)	(822)	(609)	(1,248)	(1,134)	(494)
Other	-	-	-	-	-	-	1
Pension-related Changes Other Than Net Periodic Benefits	3,146	66,079	15,929	10,818	24,946	9,474	7,688
Net Assets Released from Restriction	-	221	2	-	-	-	-
Increase (Decrease) in Unrestricted Net Assets	**$ 36,778**	**$ 105,936**	**$ 46,875**	**$ 20,387**	**$ 31,132**	**$ 43,194**	**$ 14,620**

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

Central	Northern	MMG	MHG	MHP	BSC	MICOL	Foundations	Eliminating Entries	Total
$ 258,790	$ 607,782	$ 11,527	$ 106,570	$ -	$ 27,068	$ -	$ -	$ (315,551)	$ 5,334,179
(171,666)	(353,723)	(5,992)	(21,435)	-	(17,543)	-	-	266,553	(3,341,861)
87,124	254,059	5,535	85,135	-	9,525	-	-	(48,998)	1,992,318
(7,625)	(6,685)	(1,738)	(2,211)	-	(133)	-	-	-	(117,089)
79,499	247,374	3,797	82,924	-	9,392	-	-	(48,998)	1,875,229
2,305	8,177	14,898	684	522,439	34	10,512	4,490	(136,933)	600,234
-	-	-	-	-	-	-	1,507	-	2,597
81,804	255,551	18,695	83,608	522,439	9,426	10,512	5,997	(185,931)	2,478,060
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)	192,197
11,744	59,102	423	30,035	-	899	-	43	(250)	374,435
6,709	12,307	3,449	4,635	8,423	1,608	-	248	-	296,049
748	1,542	1,016	-	-	-	10,198	-	(1,164)	16,968
-	-	-	-	381,839	-	-	-	(46,879)	334,960
5,530	8,317	1,398	2,402	1,701	151	-	-	(16,391)	93,379
289	1,206	-	58	-	-	-	-	(424)	24,945
13,072	47,119	1,749	8,472	112,936	591	314	4,473	(94,066)	244,284
83,532	246,032	20,670	85,024	517,583	8,303	10,512	6,478	(185,931)	2,412,516
(1,728)	9,519	(1,975)	(1,416)	4,856	1,123	-	(481)	-	65,544
301	926	(1)	300	581	370	-	592	-	17,047
-	-	-	-	-	-	-	-	-	10,789
1,584	1,672	-	1,780	314	1,978	2,918	3,569	-	92,164
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
$ (40)	**$ 23,328**	**$ 2,291**	**$ (794)**	**$ 6,410**	**$ 3,471**	**$ 2,918**	**$ 8,928**	**$ -**	**$ 345,434**

McLaren Health Care Corporation and Subsidiaries

Consolidating Balance Sheet - Credit Group
September 30, 2014
(in thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 155,130	$ 193,184	$ -	$ 348,314
Collateral from securities lending	1,802	-	-	1,802
Accounts receivable	263,981	61,255	(57,559)	267,677
Cost report settlements receivable	3,962	-	(3,962)	-
Assets limited as to use for payment of current liabilities	3,357	-	-	3,357
Other current assets	76,105	26,356	(17,307)	85,154
Total current assets	504,337	280,795	(78,828)	706,304
Property and Equipment - Net	866,822	127,848	(1,123)	993,547
Other Assets	1,074,996	275,749	(119,422)	1,231,323
Total assets	**$ 2,446,155**	**$ 684,392**	**$ (199,373)**	**$ 2,931,174**
Liabilities and Net Assets				
Current Liabilities				
Current portion of long-term debt	$ 20,463	$ 3,993	$ -	$ 24,456
Notes payable	4,000	334	-	4,334
Accounts payable	107,379	199,396	(67,420)	239,355
Cost report settlements payable	26,258	10,984	(3,962)	33,280
Accrued and other liabilities	113,515	75,389	(24,276)	164,628
Total current liabilities	271,615	290,096	(95,658)	466,053
Long-term Debt - Net of current portion	625,658	37,276	-	662,934
Fair Value of Interest Rate Swap Agreements	31,871	-	-	31,871
Other Liabilities	362,701	74,644	(91,463)	345,882
Total liabilities	1,291,845	402,016	(187,121)	1,506,740
Net Assets				
Unrestricted	1,102,607	212,061	(12,252)	1,302,416
Temporarily restricted	9,911	46,253	-	56,164
Permanently restricted	41,792	24,062	-	65,854
Total liabilities and net assets	**$ 2,446,155**	**$ 684,392**	**$ (199,373)**	**$ 2,931,174**

McLaren Health Care Corporation and Subsidiaries

Consolidating Statement of Operations - Credit Group
Year Ended September 30, 2014
(In thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support				
Patient service revenue	$ 5,862,801	$ 757,988	$ (348,404)	$ 6,272,385
Revenue deductions	(3,894,121)	(421,584)	295,214	(4,020,491)
Net patient service revenue	1,968,680	336,404	(53,190)	2,251,894
Provision for bad debts	(112,053)	(10,040)	-	(122,093)
Net patient service revenue less provision for bad debts	1,856,627	326,364	(53,190)	2,129,801
Other	84,739	711,848	(34,490)	762,097
Net assets released from restrictions used for operations	3,245	7,878	-	11,123
Total unrestricted revenue, gains, and other support	1,944,611	1,046,090	(87,680)	2,903,021
Expenses				
Salaries and wages	789,347	156,658	(2,368)	943,637
Employee benefits and payroll taxes	176,950	28,188	(619)	204,519
Supplies	364,587	88,224	(32)	452,779
Outside services	273,742	84,513	-	358,255
Professional and other liability costs	6,261	9,480	(1,826)	13,915
Healthcare costs	-	481,857	(51,456)	430,401
Depreciation and amortization	86,332	9,933	(857)	95,408
Interest expense	22,680	828	(47)	23,461
Other	154,460	190,743	(33,194)	312,009
Total expenses	1,874,359	1,050,424	(90,399)	2,834,384
Operating Income (Loss)	70,252	(4,334)	2,719	68,637
Other Income (Loss)				
Investment income	24,248	1,485	-	25,733
Change in interest rate swap agreements	(369)	-	-	(369)
Change in unrealized gains and losses on investments	38,047	7,856	-	45,903
Inherent contribution from acquisition of Karmanos and Port Huron	60,658	33,542	-	94,200
Total other income	122,584	42,883	-	165,467
Excess of Revenue Over Expenses	192,836	38,549	2,719	234,104
Net Assets Transferred (to) from Affiliate	(10,969)	10,969	-	-
Other	(1,064)	(1,626)	-	(2,690)
Pension-related Changes Other Than Net Periodic Benefit Cost	(78,474)	(4,031)	-	(82,505)
Net Assets Released from Restriction	932	6,007	-	6,939
Increase in Unrestricted Net Assets	**$ 103,261**	**$ 49,868**	**$ 2,719**	**$ 155,848**