

# McLaren Health Care Corporation and Subsidiaries

## Consolidating Balance Sheet June 30, 2014 (In Thousands)

	McLaren Credit Group	Non-Credit Group Members	Elimination	Total
<b>Assets</b>				
<b>Current Assets</b>				
Cash and cash equivalents	\$ 108,575	\$ 165,799	\$	\$ 274,374
Net patient accounts receivable	185,783	58,808	(5,748)	238,843
Other accounts receivable	12,136	29,345	3,212	44,693
Collateral from securities lending	9,460			9,460
Cost report settlements receivable	(3,278)	2,443		(835)
Other current assets	109,739	37,109	(64,353)	82,495
Total current assets	<u>422,415</u>	<u>293,504</u>	<u>(66,889)</u>	<u>649,030</u>
<b>Property and Equipment</b>	801,945	180,291		982,236
<b>Other Assets</b>				
Investments	781,190	151,253		932,443
Trustee held funds	18,213	10,333		28,546
Investment in unconsolidated subsidiaries	42,387	(8,704)	(1,335)	32,348
Limited as to use or restricted	84,136	108,455		192,591
Other assets	29,812	55,963	(12,166)	73,609
Total other assets	<u>955,738</u>	<u>317,300</u>	<u>(13,501)</u>	<u>1,259,537</u>
Total Assets	<u>\$ 2,180,098</u>	<u>\$ 791,094</u>	<u>\$ (80,390)</u>	<u>\$ 2,890,802</u>
<b>Liabilities and Net Assets</b>				
<b>Current Liabilities</b>				
Current portion of long-term debt	\$ 16,323	\$ 7,786	\$	\$ 24,109
Notes payable	6,060			6,060
Accounts payable	74,562	120,166	(5,748)	188,980
Cost report settlements payable	29,895	9,735		39,630
Obligations under securities lending	9,617			9,617
Salaries, wages and withholdings	85,022	26,305		111,327
Pension	6,547	311		6,858
Interest	4,739	1		4,740
Professional and other liability claims	9,754	9,828		19,582
Other	60,036	37,848	(61,141)	36,743
Total current liabilities	<u>302,555</u>	<u>211,979</u>	<u>(66,889)</u>	<u>447,645</u>
<b>Long-Term Debt</b>	596,698	50,524		647,222
<b>Fair Value of Interest Rate Swap Agreements</b>	32,719			32,719
<b>Other Liabilities</b>				
Accrued pension cost	56,909	43,291		100,200
Accrued postretirement cost	47,409	18		47,427
Accrued professional and other liability claims	21,284	62,035		83,319
Other	25,121	20,453	(12,166)	33,408
Total other liabilities	<u>150,723</u>	<u>125,797</u>	<u>(12,166)</u>	<u>264,354</u>
<b>Net Assets</b>				
Unrestricted	1,043,183	334,370	(1,335)	1,376,218
Temporarily restricted	11,981	43,036		55,017
Permanently restricted	42,239	25,388		67,627
Total Net Assets	<u>1,097,403</u>	<u>402,794</u>	<u>(1,335)</u>	<u>1,498,862</u>
Total liabilities and net assets	<u>\$ 2,180,098</u>	<u>\$ 791,094</u>	<u>\$ (80,390)</u>	<u>\$ 2,890,802</u>

# McLaren Health Care Corporation and Subsidiaries

## Consolidating Statement of Operations

For the nine months ending June 30, 2014

(In Thousands)

	McLaren Credit Group	Non-Credit Group	Elimination	Total
<b>Unrestricted Revenue, Gains, and Other Support</b>				
Inpatient Services	\$ 1,978,566	\$ 163,382	\$ (142,622)	\$ 1,999,326
Outpatient Services	2,223,849	435,724	(117,241)	2,542,332
Total patient service revenue	4,202,415	599,106	(259,863)	4,541,658
Revenue deductions	2,781,607	335,884	(220,855)	2,896,636
	1,420,808	263,222	(39,008)	1,645,022
Provision for bad debts	80,099	6,491		86,590
Net patient service revenue	1,340,709	256,731	(39,008)	1,558,432
Net assets released from restrictions	1,415	3,857		5,272
Other revenue	42,655	487,036	(18,331)	511,360
Total unrestricted revenue, gains, and other support	1,384,779	747,625	(57,339)	2,075,064
<b>Expenses</b>				
Salaries	567,053	120,615	(2,236)	685,432
Employee benefits and payroll taxes	127,621	24,111	(547)	151,185
Supplies	261,150	66,274	(25)	327,399
Other	305,801	199,034	(53,396)	451,439
Healthcare service costs		329,512		329,512
Depreciation and amortization	63,582	9,400	(1,091)	71,891
Interest expense	17,627	887	(44)	18,470
Total expenses	1,342,834	749,834	(57,339)	2,035,329
<b>Operating Income</b>	41,945	(2,209)		39,736
<b>Other Income (Loss)</b>				
Investment income	13,059	1,785		14,844
Loss on extinguishment of debt				
Change in interest swap agreements	(1,218)			(1,218)
Change in unrealized gains and losses on investments	68,799	11,908		80,707
Inherent contribution from acquisition				
Total other income (loss)	80,640	13,693		94,333
<b>Excess of Revenue Over (Under) Expense</b>	122,585	11,484		134,069
<b>Net Assets Transferred (to) from Affiliate</b>	(34,589)	34,589		
<b>Increase (Decrease) in Unrestricted Net Assets</b>	\$ 87,996	\$ 46,073	\$	\$ 134,069

### Utilization Statistics

Discharges	64,899	3,548	68,447
Patient Days	287,472	20,310	307,782
Emergency Room Visits	255,485	7,003	262,488
Outpatient Visits	1,815,774	308,710	2,124,484

# McLaren Health Care Corporation and Subsidiaries

## Consolidated Statement of Operations For the nine months ending June 30, 2014 (In Thousands)

	Current Actual	Current Budget	Prior Yr Actual
<b>Unrestricted Revenue, Gains, and Other Support</b>			
Inpatient Services	\$ 1,999,326	\$ 2,016,004	\$ 1,850,660
Outpatient Services	2,542,332	2,565,965	2,140,659
Total patient service revenue	4,541,658	4,581,969	3,991,319
Revenue deductions	2,896,636	2,900,056	2,490,522
Net patient service revenue	1,645,022	1,681,912	1,500,797
Provision for bad debts	86,590	86,893	87,395
Net patient service rev less provision for bad debts	1,558,432	1,595,020	1,413,402
Net assets released from restrictions	5,272	5,291	925
Other revenue	511,360	488,478	430,342
Total unrestricted rev, gains, and other support	2,075,064	2,088,789	1,844,669
<b>Expenses</b>			
Salaries	685,432	694,527	627,270
Employee benefits and payroll taxes	151,185	157,578	155,747
Supplies	327,399	334,241	289,970
Other	451,439	453,910	377,812
Healthcare service costs	329,512	305,285	262,151
Depreciation and amortization	71,891	77,356	71,833
Interest expense	18,470	20,613	18,954
Total expenses	2,035,329	2,043,509	1,803,737
<b>Operating Income</b>	39,736	45,280	40,932
<b>Other Income (Loss)</b>			
Investment income	14,844	13,963	14,920
Loss on extinguishment of debt			
Change in interest swap agreements	(1,218)		10,904
Change in unrealized gains and losses on investments	80,707	251	53,072
Inherent Contribution from Acquisition			
Total other income (loss)	94,333	14,214	78,896
<b>Excess of Revenue Over (Under) Expense</b>	\$ 134,069	\$ 59,494	\$ 119,828

### Utilization Statistics

Discharges	68,447	70,874	68,341
Patient Days	307,782	308,597	297,988
Emergency Room Visits	262,488	272,514	263,368
Outpatient Visits	2,124,484	2,190,490	1,987,510

## **NOTES TO UNAUDITED FINANCIAL STATEMENTS**

The accompanying financial statement of McLaren Health Care and McLaren Health Care Credit Group for Nine Months Ending June 30, 2014 is unaudited, and subject to audit and fiscal year-end adjustments, including but not limited to minimum pension liability adjustments.

In November 2013, McLaren Health Care Corporation entered into an acquisition agreement with the Barbara Ann Karmanos Cancer Institute (Karmanos), pursuant to which McLaren Health Care Corporation would become the sole member of Karmanos. The board of directors of the Corporation and Karmanos have approved the agreement. The effective date of the acquisition is January 1, 2014.

Executives of McLaren Health Care and Port Huron Hospital have finalized an agreement for Port Huron Hospital to join McLaren Health Care System. The definitive agreement is effective May 1, 2014.