McLaren Health Care Corporation and Subsidiaries

Consolidated Financial Report
with Additional Information
September 30, 2023

Contents

Independent Auditor's Report	1-2
Consolidated Financial Statements	
Balance Sheet	3
Statement of Operations	4
Statement of Changes in Net Assets	5
Statement of Cash Flows	6
Notes to Consolidated Financial Statements	7-36
Additional Information	37
Independent Auditor's Report on Additional Information	38
Consolidating Balance Sheet	39-42
Consolidating Statement of Operations	43-44
Consolidating Balance Sheet - Credit Group	45
Consolidating Statement of Operations - Credit Group	46

plante moran

Plante & Moran, PLLC
Suite 300
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.459.3594
plantemoran.com

Independent Auditor's Report

To the Board of Directors
McLaren Health Care Corporation
and Subsidiaries

Report on the Audits of the Consolidated Financial Statements

Opinion

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, 2023 and 2022 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as of September 30, 2023 and 2022 and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audits of the Consolidated Financial Statements* section of our report. We are required to be independent of the Corporation and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 21 to the consolidated financial statements, certain components of the Corporation's operations have been classified as discontinued operations on the consolidated statement of operations and changes in net assets. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern within one year after the date that the consolidated financial statements are issued or available to be issued.

To the Board of Directors
McLaren Health Care Corporation
and Subsidiaries

Auditor's Responsibilities for the Audits of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that audits conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing audits in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audits.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audits 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 Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 8, 2024 on our consideration of the Corporation's 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 solely 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 effectiveness of the Corporation's 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 the Corporation's internal control over financial reporting and compliance.

Plante & Moran, PLLC

January 8, 2024

Consolidated Balance Sheet

September 30, 2023 and 2022
(in thousands)

	2023	2022 (As Restated)
Assets		
Current Assets		
Cash and cash equivalents	$ 709,954	$ 1,065,462
Accounts receivable - Net (Note 3)	313,589	348,085
Health care insurance receivables	435,853	297,383
Assets limited as to use (Note 7)	16,471	1,000
Other current assets	248,636	243,300
Total current assets	1,724,503	1,955,230
Investments - Including internally designated (Note 7)	1,788,622	1,608,839
Assets Held for Sale (Note 21)	-	135,074
Property and Equipment - Net (Note 6)	1,877,488	1,926,368
Right-of-use Operating Lease Assets (Note 18)	137,842	118,958
Goodwill (Note 8)	57,619	57,403
Intangible Assets (Note 8)	81,122	88,979
Fair Value of Interest Rate Swap Agreements (Note 11)	301	-
Other Assets (Note 7)	494,624	455,307
Total assets	**$ 6,162,121**	**$ 6,346,158**
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	$ 417,866	$ 415,608
Current portion of long-term debt (Note 11)	27,507	27,193
Current portion of lease liabilities - Operating (Note 18)	18,066	18,999
Commercial paper (Note 12)	-	64,973
Medical and other claims payable (Note 10)	307,188	327,036
Third-party payor settlements payable (Note 4)	66,786	57,766
Accrued liabilities and other:		
Medicare advance payments (Note 20)	-	87,629
Deferred revenue (Note 20)	13,879	22,004
Other accrued liabilities (Note 13)	427,778	591,457
Total current liabilities	1,279,070	1,612,665
Long-term Debt - Net of current portion (Note 11)	1,683,458	1,715,608
Lease Liabilities - Operating (Note 18)	122,533	102,913
Fair Value of Interest Rate Swap Agreements (Note 11)	7,974	23,956
Other Liabilities		
Accrued defined benefit pension cost (Note 15)	-	18,932
Accrued postretirement benefit obligations (Note 15)	2,875	3,191
Accrued professional liability claims (Note 16)	152,043	120,777
Other long-term liabilities	122,939	113,605
Total other liabilities	277,857	256,505
Total liabilities	3,370,892	3,711,647
Net Assets		
Without donor restrictions	2,645,202	2,485,370
With donor restrictions (Note 2)	146,027	149,141
Total net assets	2,791,229	2,634,511
Total liabilities and net assets	**$ 6,162,121**	**$ 6,346,158**

Consolidated Statement of Operations

Years Ended September 30, 2023 and 2022
(in thousands)

	2023	2022 (As Restated)
Unrestricted Revenue, Gains, and Other Support		
Patient service revenue (Note 4)	$ 3,099,506	$ 2,967,183
Premium revenue	3,154,817	2,952,804
Other (Note 20)	347,249	367,418
Net assets released from restrictions used for operations	10,635	6,913
Total unrestricted revenue, gains, and other support	6,612,207	6,294,318
Expenses		
Salaries and wages	1,411,517	1,408,358
Employee benefits and payroll taxes	276,686	263,153
Supplies	777,603	728,228
Purchased services and other	1,034,900	972,735
Medical claims expense	2,781,102	2,583,874
Depreciation and amortization	172,812	158,270
Interest expense	56,458	51,213
Total expenses (Note 17)	6,511,078	6,165,831
Operating Income - Before nonrecurring impairment loss	101,129	128,487
Nonrecurring Impairment Loss (Note 2)	-	1,153
Total operating income	101,129	127,334
Nonoperating Income (Loss)		
Investment income (Note 7)	68,064	88,309
Change in interest rate swap agreements (Note 11)	16,283	4,741
Other components of net periodic pension cost	(8,945)	(2,641)
Pension settlement costs (Note 15)	(627,184)	-
Change in unrealized investment gains (losses) (Note 7)	176,410	(438,400)
Other	(4,254)	(1,307)
Total nonoperating loss	(379,626)	(349,298)
Excess of Expenses Over Revenue	(278,497)	(221,964)
Loss on Discontinued Operations (Note 21)	(197,230)	(53,525)
Other Changes in Net Assets	(340)	(1,531)
Pension-related Changes Other Than Net Periodic Benefit Cost (Note 15)	622,363	(39,215)
Net Assets Released from Restrictions	13,536	16,029
Increase (Decrease) in Net Assets without Donor Restrictions	**$ 159,832**	**$ (300,206)**

See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Years Ended September 30, 2023 and 2022
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
Net Assets - October 1, 2021	$ 2,785,576	$ 172,630	$ 2,958,206
Excess of expense over revenue	(221,964)	-	(221,964)
Restricted contributions	-	15,842	15,842
Change in unrealized gains and losses on investments (Note 7)	-	(11,060)	(11,060)
Loss from discontinued operations	(53,525)	-	(53,525)
Pension-related changes other than net periodic benefit cost	(39,215)	-	(39,215)
Other changes in net assets	(1,531)	(8,536)	(10,067)
Net assets released from restrictions	16,029	(22,942)	(6,913)
Restricted investment income (Note 7)	-	3,207	3,207
Decrease in net assets	(300,206)	(23,489)	(323,695)
Net Assets - September 30, 2022 (as restated)	2,485,370	149,141	2,634,511
Excess of expenses over revenue	(278,497)	-	(278,497)
Restricted contributions	-	12,784	12,784
Change in unrealized gains and losses on investments (Note 7)	-	6,767	6,767
Loss from discontinued operations	(197,230)	-	(197,230)
Pension-related changes other than net periodic benefit cost	622,363	-	622,363
Other changes in net assets	(340)	483	143
Net assets released from restrictions	13,536	(24,171)	(10,635)
Restricted investment income (Note 7)	-	1,023	1,023
Increase (decrease) in net assets	159,832	(3,114)	156,718
Net Assets - September 30, 2023	**$ 2,645,202**	**$ 146,027**	**$ 2,791,229**

Consolidated Statement of Cash Flows

Years Ended September 30, 2023 and 2022
(in thousands)

	2023	2022
Cash Flows from Operating Activities		
Increase (decrease) in net assets	$ 156,718	$ (323,695)
Adjustments to reconcile increase (decrease) in net assets to net cash and cash equivalents from operating activities:		
Depreciation and amortization	172,812	166,153
Impairment of property and equipment	-	1,153
Loss (gain) on disposal of building and equipment	46,645	(2,696)
Net change in unrealized gains and losses on investments	(183,177)	461,601
Realized gains on investments	(49,990)	(80,830)
Income from unconsolidated subsidiaries	(1,401)	(1,365)
Pension-related changes other than periodic benefit costs	(622,363)	39,215
(Increase) decrease in fair value of perpetual trusts	(2,015)	9,775
Change in fair value of interest rate swap agreements	(16,283)	(4,741)
Donor-restricted contributions	(12,784)	(15,842)
Amortization of bond premium	(4,769)	(4,880)
Impairment of goodwill	71,747	-
Changes in operating assets and liabilities that provided (used) cash and cash equivalents, net of assets acquired and liabilities assumed in connection with acquisitions:		
Accounts receivable	34,496	(39,932)
Other current assets	(5,336)	(70,893)
Third-party payor settlements	9,020	(6,898)
Other assets	(14,040)	61,785
Accounts payable	26,015	5,983
Medical claims payable	(19,848)	15,847
Accrued and other liabilities	(171,803)	(163,561)
Health care insurance receivables	(138,470)	(12,749)
Other liabilities	643,713	(36,771)
Medicare advance payments	(87,629)	(241,547)
Net cash and cash equivalents used in operating activities	(168,742)	(244,888)
Cash Flows from Investing Activities		
Purchase of property and equipment	(142,272)	(293,169)
Proceeds from disposition of property and equipment	2,734	3,503
Purchases of investments	(559,869)	(962,727)
Proceeds from sales and maturities of investments	593,615	597,997
Change in funds held by trustee under bond indenture	1,857	130,793
Cash paid to joint ventures	(7,049)	(6,239)
Cash received from joint ventures	-	2,267
Net cash and cash equivalents used in investing activities	(110,984)	(527,575)
Cash Flows from Financing Activities		
Principal payments on long-term debt	(27,664)	(26,282)
Debt issuance costs	-	(113)
Net proceeds and repayments from commercial paper program	(64,973)	(15)
Donor-restricted contributions	12,627	15,996
Other	4,228	3,357
Net cash and cash equivalents used in financing activities	(75,782)	(7,057)
Net Decrease in Cash and Cash Equivalents	(355,508)	(779,520)
Cash and Cash Equivalents - Beginning of year	1,065,462	1,844,982
Cash and Cash Equivalents - End of year	**$ 709,954**	**$ 1,065,462**
Supplemental Cash Flow Information - Cash paid for interest	$ 62,343	$ 67,154
Significant Noncash Transactions		
Noncash purchases of property and equipment within accounts payable	$ 23,757	$ (1,442)
Operating lease right-of-use assets and liabilities recorded during the year	38,299	22,491

Note 1 - Nature of Business

McLaren Health Care Corporation and Subsidiaries (the "Corporation"), a not-for-profit corporation, is a major provider of health care and insurance services to residents throughout Michigan and northwest Ohio and the cities of Flint, Lansing, Bay City, Lapeer, Mt. Pleasant, Petoskey, Port Huron, Caro, and Bad Axe, Michigan; Maumee, Ohio; and surrounding communities. A significant portion of the Corporation’s revenue is derived through its insurance organizations in the states of Michigan and Indiana.

The consolidated financial statements include the corporations listed below, as well as their subsidiaries and related foundations, of which McLaren Health Care (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)

McLaren Caro (Caro)

McLaren Thumb Region (Thumb)

Barbara Ann Karmanos Cancer Institute and Karmanos Cancer Center (Karmanos)

McLaren Medical Group (MMG)

McLaren High Performance Network (ACO)

McLaren Health Management Group (MHMG)

McLaren Integrated HMO Group (MIG)

McLaren Health Plan (MHP)

MDwise

McLaren Bay Special Care (BSC)

McLaren Insurance Company, LTD (MICOL)

McLaren St. Luke's (St. Luke's)

During 2023, the Corporation determined to cease operations at the St. Luke's facilities and subsequently entered into an agreement to sell the St. Luke's facilities to a third party. The suspension of services and the sale of the facilities was finalized prior to September 30, 2023. Note 21 includes further discussion on this transaction. The operating results for St. Luke's have been restated as discontinued operations in the consolidated statements of operations and changes in net assets for all periods presented. Additionally, for the year ended September 30, 2023, the Corporation recorded a loss on disposal of $45,341 related to long-lived assets for St. Luke's due to the sale of fixed assets as disclosed in Note 21.

Note 2 - Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of McLaren Health Care Corporation and all of its subsidiaries. All material intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash and cash equivalents include investments in highly liquid debt investments with an original maturity of three months or less when purchased, excluding those amounts included in assets limited as to use by board designation or other arrangements under trust agreements (see Note 7).

The Corporation routinely invests a portion of its operating funds in money market mutual funds and in insured bank deposits. The money market mutual funds invest only in high-quality, short-term securities that are triple A rated. The bank deposits, backed by the full faith and credit of the U.S. government, utilize a series of insured deposit accounts that are electronically linked and aggregated. Both investments aim to preserve capital, maintain liquidity, and provide a competitive yield.

Accounts Receivable

Accounts receivable for patients, insurance companies, and governmental agencies are based on gross charges, reduced by explicit price concessions provided to third-party payors, discounts provided to qualifying individuals as part of the Corporation's financial assistance policy, and implicit price concessions provided primarily to self-pay patients. Estimates for explicit price concessions are based on provider contracts, payment terms for relevant prospective payment systems, and historical experience adjusted for economic conditions and other trends affecting the Corporation's ability to collect outstanding amounts.

For receivables associated with self-pay patients, which includes both patients without insurance and patients with deductible and copayment balances due for which third-party coverage exists for part of the bill, the Corporation records significant implicit price concessions 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.

Health Care Insurance Receivables

Health care insurance receivables include uncollected capitation and premiums due from the Michigan and Indiana departments of Medicaid and other amounts due from networks and delivery systems. Amounts due from Michigan and Indiana departments of Medicaid are unsecured and are estimated based on provisions of the contracts with Michigan and Indiana departments of Medicaid and capitation rates in effect throughout the year. Capitation premiums received in excess of estimated premiums, including contract adjustments for risk corridor and risk adjustment terms, resulting in a payable due to the Michigan and Indiana departments of insurance, are recorded within other accrued liabilities on the consolidated balance sheet.

Investments

Investments include general investments held by the Corporation and 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, subject to the reserve powers of the Corporation's governing board. Investments in equity securities with readily determinable fair values and all investments in debt securities are stated at fair market value. Investment income or loss (including interest and dividend income, realized gains or losses, and changes in unrealized gains or losses on investments) is included in excess of expenses over revenue, unless the income or loss is restricted by the donor.

Note 2 - Significant Accounting Policies (Continued)

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 the value of investments 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.

Assets Limited as to Use

Assets limited as to use 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 funds held under self-insurance trust arrangements (see Note 7).

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.

Impairment of Long-lived Assets

The Corporation evaluates the recoverability of long-lived assets and the related estimated remaining lives when indicators of impairment are present. For the purpose of impairment analysis, assets are grouped with other assets and liabilities at the lowest level for which identifiable cash flows are largely independent of the cash flows of other assets and liabilities. The Corporation records an impairment charge or changes the useful life if events or changes in circumstances indicate that the carrying amount may not be recoverable or the useful life has changed. An impairment loss of approximately $0 and $1,153 was recognized in 2023 and 2022, respectively.

Goodwill

The recorded amounts of goodwill from prior business combinations are based on management's best estimates of the fair values of assets acquired and liabilities assumed at the date of acquisition. Goodwill is not amortized but rather is assessed on an annual basis for impairment. An impairment charge in the amount of $72 million was recognized during 2023 specific to goodwill of St. Luke's (Note 21).

Intangible Assets

The recorded amount of intangible assets results primarily from the acquisition of plan members and provider networks by MHP and MDwise 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 8, certain components of the intangible assets are being amortized. The remainder is assessed for impairment on an annual basis. No impairment charge related to intangible assets was recognized during the years ended September 30, 2023 or 2022.

Medical Claims Payable and Medical Claims Expense

Medical claims expense includes claim payments made to a variety of health care providers for the provision of medical care related to its members, pharmacy costs net of rebates, and other costs incurred to provide health insurance coverage to members, as well as estimates of future claims payments to health care providers for medical care provided prior to the consolidated balance sheet date.

Note 2 - Significant Accounting Policies (Continued)

Medical claims payable is estimated in aggregate, employing actuarial methods that are commonly used by health insurance actuaries and meet actuarial standards of practice. Claims incurred but not reported are based primarily on past experience, including claim payment patterns, enrollment data, historical utilization of services, emerging health care cost trends, seasonality, and other relevant information and determined by actuarial calculations. Health care cost trends are primarily impacted by service utilization and unit costs that are affected by changes in the level and mix of health care benefits offered, in addition to the impact of copayments and deductibles, changes in provider practices, and changes in consumer demographics. Under this process, historical paid claims data is formatted into claim triangles, which compare claim incurred dates to the dates of claim payments. This information is analyzed to create completion factors that represent the average percentage of total incurred claims that have been paid through a given date. Completion factors are applied to claims paid through the period end date to estimate the ultimate claim expense incurred for the period. Actuarial estimates of incurred but not paid claim liabilities are then determined by subtracting the actual paid claims from the estimate of the ultimate incurred claims. Although considerable variability is inherent in such estimates, management believes the recorded liability for accrued medical claims payable is adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known. Such adjustments are reflected in current operations. There were no significant changes in estimates or assumptions during 2023 or 2022.

Capitation payments represent contractual fees disbursed to health care providers who are responsible for providing medical care to members and are recorded in purchased services and other in the consolidated statement of operations.

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 11).

Classification of Net Assets

Net assets of the Corporation are classified based on the presence or absence of donor-imposed restrictions.

Net assets without donor restrictions: Net assets that are not subject to donor-imposed restrictions or for which the donor-imposed restrictions have expired or been fulfilled. Net assets in this category may be expended for any purpose in performing the primary objectives of the Corporation.

Net assets with donor restrictions: Net assets subject to stipulations imposed by donors and grantors. Some donor restrictions are temporary in nature; those restrictions will be met by actions of the Corporation or by the passage of time. Other donor restrictions are perpetual in nature, where the donor has stipulated the funds be maintained in perpetuity. Total net assets with donor restrictions at September 30, 2023 of $146,027 include $46,384 of support for various programs of the Corporation with operating support; $8,849 of contributions restricted for a particular capital purpose; $36,326 of contributions restricted for research; $52,460 of contributions restricted for patient support services; and $2,008 of contributions restricted for scholarships.

Earnings, gains, and losses on net assets with donor restrictions are classified as net assets without donor restrictions unless specifically restricted by the donor or by applicable state law.

Note 2 - Significant Accounting Policies (Continued)

Excess of Expense Over Revenue

The consolidated statement of operations includes excess of expense over revenue. Changes in net assets without donor restrictions, which are excluded from excess of expense over revenue, consistent with industry practice, include loss on discontinued operations, net assets transferred from (to) affiliates, other changes in net assets, pension-related changes other than net periodic benefit cost, and net assets released from restrictions for the acquisition of long-lived assets.

Revenue Recognition - Patient Service Revenue

Patient care service revenue is reported at the amount that reflects consideration to which the Corporation expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including health insurers and government programs), and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Corporation bills the patients and third-party payors several days after the services are performed or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Corporation. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred as services are provided. The Corporation believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients of the Corporation receiving inpatient acute-care services or patients receiving services in outpatient centers or other clinical settings. The Corporation measures performance obligations from admission into the Corporation, or the commencement of an outpatient service or other visit, to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge or completion of outpatient services or other visits.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Corporation has elected to apply the optional exemption provided in Financial Accounting Standards Board (FASB) ASC 606-10-50-14 (a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

The Corporation determines the transaction price based on standard charges for goods and services provided, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Corporation's policy, and implicit price concessions provided to uninsured patients. The Corporation determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies, and historical experience. The Corporation determines its estimates of implicit price concessions based on its historical collections expense with this class of patients.

The Corporation has also elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Corporation's expectation that the period between the time of service is provided to a patient and the time that the patient or third-party payor pays for that service will be one year or less. However, the Corporation does, in certain instances, enter into payment arrangements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.

Note 2 - 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, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statement of operations and the consolidated statement of changes in net assets as net assets released from restrictions. Donor-restricted contributions whose restrictions are met within the year they are recognized are reported as contributions without donor restrictions in the accompanying financial statements.

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

Premiums and capitated premiums are recognized in the period members are entitled to health care services. Additional premium revenue received from the Michigan and Indiana departments of Medicaid for maternity cases is recognized in the period maternity services are provided. The Company estimates retrospective premium adjustments for policies where the premium varies based on loss experience and specific contract terms, as described within health care insurance receivables policy. These estimates are recorded within premium revenue as they are known. Premiums received in advance represent payments received prior to the effective date of the policy. The majority of premiums are received from the Michigan and Indiana departments of Medicaid.

Premium Deficiency Reserve

A premium deficiency reserve is required when the expected incurred claims, claim adjustment expenses, and administration costs exceed the premiums to be collected for the remainder of the contract period. The Company determines whether a premium deficiency reserve is necessary. Investment income is not a factor in the premium deficiency calculation. The Corporation determines whether a premium deficiency reserve is necessary, including investment income as a factor in the premium deficiency calculation. At September 30, 2023 and 2022, the Corporation recorded an estimate for premium deficiency reserve of approximately $11,616 and $9,511, respectively, recorded within accrued liabilities and other on the accompanying consolidated balance sheet.

Professional Liability Insurance

Subsidiaries of the Corporation and qualifying medical staff are insured for professional liability on a claims-made basis by MICOL, a multiprovider offshore captive insurance company that is wholly owned by the Corporation. The Corporation and its subsidiaries accrue an estimate of the ultimate expense, including litigation and settlement expense, for professional service 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 16). The expected amount of insurance recoveries is recorded as a receivable, net of allowance for uncollectible receivables, if applicable.

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 5).

Note 2 - Significant Accounting Policies (Continued)

Tax Status

The Corporation and substantially all of its subsidiaries are nonprofit, tax-exempt organizations. Some subsidiaries are for-profit corporations. Income tax provisions are not material to the consolidated financial statements.

Management believes the Corporation is not subject to federal tax examinations for years prior to September 30, 2020.

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.

Upcoming Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses: Measurement of Credit Losses on Financial Instruments*. The ASU includes changes to the accounting and measurement of financial assets, including the Corporation's accounts receivable and held-to-maturity debt securities, by requiring the Corporation to recognize an allowance for all expected losses over the life of the financial asset at origination. This is different from the current practice where an allowance is not recognized until the losses are considered probable. The ASU also changes the way credit losses are recognized for available-for-sale debt securities. Credit losses are recognized through the recording of an allowance rather than as a write-down of the carrying value. The new guidance will be effective for the Corporation's year ending September 30, 2024. Upon adoption, the ASU will be applied using a modified retrospective transition method to the beginning of the earliest period presented. The Corporation is in the process of assessing the impact this standard will have on the consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848)*. The proposed ASU was issued in response to concerns about structural risks of interbank offered rates (IBORs) as it relates to the derivatives market. The amendments in the proposed ASU would clarify that certain optional expedients and exceptions in Topic 848 for contract modifications and hedge accounting apply to contracts that are affected by the discounting transition. The amendments to the expedients and exceptions in Topic 848 are included to capture the incremental consequences to the proposed scope refinements and to tailor the existing guidance to derivative instruments affected by the discounting transition. The Corporation may elect to apply the amendments prospectively through December 31, 2024. The Corporation is assessing the impact of the new standard on its consolidated financial statements.

Subsequent Events

The consolidated financial statements and related disclosures include evaluation of events up through and including January 8, 2024, which is the date the consolidated financial statements were available to be issued.

(all amounts in thousands unless otherwise noted)

Note 3 - Accounts Receivable

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 was as follows:

	2023	2022
Medicare	40 %	40 %
Blue Cross/Blue Shield of Michigan	15	16
Medicaid	9	10
Commercial insurance and HMOs	25	24
Self-pay	11	10
Total	100 %	100 %

Note 4 - Patient Service Revenue

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

- **Medicare** - Inpatient, acute-care, 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. Inpatient psychiatric and substance abuse services are reimbursed at cost subject to a per case limit. Outpatient and home care services related to Medicare beneficiaries are reimbursed based on a prospectively determined amount per episode of care. Caro is reimbursed as a critical access hospital by the Medicare program. Critical access hospitals receive cost reimbursement for all acute-care inpatient and outpatient services.

- **Medicaid** - Inpatient, acute-care services rendered to Medicaid program beneficiaries are also paid at prospectively determined rates per discharge. Outpatient and physician services are reimbursed on an established fee-for-service methodology.

- **Blue Cross/Blue Shield** - 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.

- **Commercial and Health Maintenance Organizations** - Services rendered to commercial and HMO beneficiaries are paid at predetermined rates or at a percentage of hospital charges.

Cost report settlements result from the adjustment of interim payments to final reimbursement under the Medicare and Medicaid programs that are subject to audit by fiscal intermediaries.

(all amounts in thousands unless otherwise noted)

Note 4 - Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result of investigations by governmental agencies, various health care entities have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in entities entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Corporation's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Corporation. In addition, the contracts the Corporation has with commercial payors also provide for retroactive audit and review of claims.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Corporation's historical settlement activity, including an assessment to ensure that it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant in 2023 or 2022.

The Corporation has determined that the nature, amount, timing, and uncertainty of revenue and cash flows are affected primarily by payor. The composition of net patient service revenue by primary payor for the years ended September 30 is as follows:

	2023	2022
Medicare	$ 1,562,024	$ 1,475,843
Medicaid	519,245	479,504
Blue Cross	530,554	593,269
Commercial and managed care	422,573	384,748
Self-pay	65,110	33,819
Total	$ 3,099,506	$ 2,967,183

Revenue from patients' deductibles and coinsurance is included in the categories presented above based on the primary payor.

The Corporation recognized patient service revenue over time as patients simultaneously receive and consume benefits provided as care is administered. Total patient service revenue recognized over time was approximately $3,099,506 and $2,967,183 for the years ended September 30, 2023 and 2022, respectively.

(all amounts in thousands unless otherwise noted)

Note 5 - Community Benefit

The Corporation and its subsidiaries accept all patients regardless of their ability to pay. The Corporation has established a formal policy where 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, where 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 charity care to patients. The ratio of cost to charges is calculated based on the Corporation's total expenses divided by gross patient charges. The Corporation also provides price concessions to uninsured and underinsured individuals. The amount of these inherent price concessions to these patients is based on the Corporation's history. An estimate of charity and other uncompensated care for the medical centers is as follows:

	2023	2022
Charity care cost	$ 22,274	$ 27,267
Cost in excess of reimbursement from government programs (unaudited)	350,983	411,094
Cost in excess of reimbursement for graduate medical education (unaudited)	32,736	35,913
Cost of community programs (unaudited)	20,350	20,350
Uninsured - Price concessions	37,641	27,363
Total	$ 463,984	$ 521,987

Note 6 - Property and Equipment

Property and equipment and depreciable lives are summarized as follows:

	2023	2022	Depreciable Life - Years
Land	$ 89,014	$ 88,850	-
Land improvements	61,480	61,088	5-35
Buildings	2,026,099	1,999,316	20-40
Equipment	1,633,359	1,590,898	5-15
Construction in progress	136,864	112,039	-
Total cost	3,946,816	3,852,191	
Accumulated depreciation	2,069,328	1,925,823	
Net property and equipment	$ 1,877,488	$ 1,926,368	

Construction in progress consists primarily of an expansion of Northern, various other new construction and renovation projects, and the implementation of information technology projects at the medical centers and MHC. At September 30, 2023, the Corporation had commitments of approximately $105 million related to various construction projects and financial and clinical information technology applications.

(all amounts in thousands unless otherwise noted)

Note 7 - Other Assets

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

	2023	2022
Assets limited as to use and donor-restricted assets:		
Funds held by trustees under bond indentures (Note 19)	$ 29,816	$ 31,674
Funds held in trust for payment of professional and other liability claims (Note 19)	131,160	95,554
Funds held in trust for the benefit of MHC and funds restricted by donors for specific purpose (Note 19)	104,331	111,269
Funds held in trust for payment of employee benefits (Note 19)	62,697	53,501
Amount for payment of current liabilities	(16,471)	(1,000)
Total assets limited as to use and donor-restricted assets	311,533	290,998
Investment in joint ventures	43,361	35,781
Pledges receivable - Net (Note 19)	4,140	5,594
Other	135,590	122,934
Total other assets	$ 494,624	$ 455,307

Investments, included within other assets above, and investments, including internally designated amounts on the consolidated balance sheet, consist of the following:

	2023	2022
Money market investments	$ 108,966	$ 29,382
Certificates of deposit and cash equivalents	104,896	89,978
Government securities	1,886	2,088
Mortgage-backed securities	79	147
Mutual funds	1,577,006	1,486,369
Corporate bonds	594	792
Common and preferred stocks	282,012	252,908
Due from trusts (Note 14)	41,187	39,173
Total	$ 2,116,626	$ 1,900,837

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 composed of the following for the years ended September 30, 2023 and 2022:

	2023	2022
Unrestricted investment income	$ 68,064	$ 88,309
Investment income on donor-restricted fund investments	1,023	3,207
Change in net unrealized gains and losses on unrestricted investments	176,410	(438,400)
Change in net unrealized gains and losses on donor-restricted investments	6,767	(11,060)
Total investment income (loss)	$ 252,264	$ (357,944)

Note 8 - Goodwill and Intangible Assets

The Corporation has recognized intangible assets of approximately $81,122 and $88,979 at September 30, 2023 and 2022, respectively. The Corporation has recorded approximately $77,872 and $85,729 of net intangible assets for plan members, state contracts, trade names, and provider networks that is being amortized over 7 to 20 years at September 30, 2023 and 2022, respectively. In addition, the Corporation recognized intangible assets related to Medicare Advantage contracts of approximately $3,250 at September 30, 2023 and 2022. 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.

The Corporation has recognized goodwill of approximately $57,619 and $129,150 at September 30, 2023 and 2022, respectively. For the year ended September 30, 2023, the Corporation recorded an impairment charge of $71,747, related to goodwill for St. Luke's due to the closure of operations, as described in Note 21.

Note 9 - 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, 2023 and 2022 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 where 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.

(all amounts in thousands unless otherwise noted)

Note 9 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2023			
	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, 2023
Assets				
Mutual funds:				
Fixed-income investments	$ 342,244	$ 296	$ -	$ 342,540
Equity investments	1,027,069	91,948	-	1,119,017
Balanced investments	65,998	-	-	65,998
Short-term investments	29	-	-	29
Total mutual funds	1,435,340	92,244	-	1,527,584
Common stocks:				
U.S. securities	233,256	-	-	233,256
Foreign securities	48,756	-	-	48,756
Total common stocks	282,012	-	-	282,012
Debt securities:				
U.S. government and agencies	852	1,034	-	1,886
Corporate bonds & notes	594	-	-	594
Residential mortgage-backed securities	-	79	-	79
Total debt securities	1,446	1,113	-	2,559
Money market investments:				
Short-term investments	23,705	83,261	-	106,966
Fixed-income investments	113	-	-	113
Equity investments	1,887	-	-	1,887
Total money market investments	25,705	83,261	-	108,966
Due from trusts	-	41,187	-	41,187
Interest rate swap agreements	-	301	-	301
Total at fair value	$ 1,744,503	$ 218,106	$ -	1,962,609
Investments measured at NAV				49,422
Total assets				$ 2,012,031
Liabilities - Interest rate swap agreements	$ -	$ 7,974	$ -	$ 7,974

(all amounts in thousands unless otherwise noted)

Note 9 - Fair Value Measurements (Continued)

	Assets and Liabilities Measured at Fair Value on a Recurring Basis at September 30, 2022			
	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, 2022
Assets				
Mutual funds:				
Fixed-income investments	$ 285,298	$ 292	$ -	$ 285,590
Equity investments	1,011,128	75,343	-	1,086,471
Balanced investments	59,012	-	-	59,012
Short-term investments	30	-	-	30
Total mutual funds	1,355,468	75,635	-	1,431,103
Common stocks:				
U.S. securities	197,788	-	-	197,788
Foreign securities	55,120	-	-	55,120
Total common stocks	252,908	-	-	252,908
Debt securities:				
U.S. government and agencies	1,068	1,020	-	2,088
Corporate bonds and notes	792	-	-	792
Residential mortgage-backed securities	-	147	-	147
Total debt securities	1,860	1,167	-	3,027
Money market investments:				
Short-term investments	22,615	5,149	-	27,764
Fixed-income investments	139	-	-	139
Equity investments	1,479	-	-	1,479
Total money market investments	24,233	5,149	-	29,382
Alternative strategies - Due from trusts	-	39,173	-	39,173
Total at fair value	$ 1,634,469	$ 121,124	$ -	1,755,593
Investments measured at NAV				55,266
Total assets				$ 1,810,859
Liabilities - Interest rate swap agreements	$ -	$ 23,956	$ -	$ 23,956

Assets whose use is limited or restricted and investments on the consolidated balance sheet, as further discussed in Note 7, at September 30, 2023 and 2022 included cash and certificates of deposit of approximately $104,896 and $89,978, respectively.

The Corporation holds fixed-income and equity mutual funds, debt securities, money market investments, due from trusts, and interest rate swap agreements at September 30, 2023 and 2022, the fair value of which was 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.

(all amounts in thousands unless otherwise noted)

Note 9 - Fair Value Measurements (Continued)

The Corporation has certain mutual funds that are measured at net asset value (NAV) and are reflected as such in the above tables.

Note 10 - Medical and Other Claims Payable

The following summarizes activity in the liability for medical claims, including claim adjustment expenses, for the years ended September 30, 2023 and 2022:

	2023	2022
Balance - Beginning of year	$ 309,214	$ 293,986
Incurred related to:		
Current year	2,831,891	2,586,414
Prior years	(72,788)	(19,314)
Total incurred	2,759,103	2,567,100
Paid related to:		
Current year	(2,541,431)	(2,306,437)
Prior years	(231,396)	(245,435)
Total paid	(2,772,827)	(2,551,872)
Balance - End of year	$ 295,490	$ 309,214

Medical and other claims payable on the consolidated balance sheet at September 30, 2023 and 2022 is $307,188 and $327,036, respectively. The amounts on the consolidated balance sheet at September 30, 2023 and 2022 include other claims payable of $11,698 and $17,822, respectively, related to deferred distributions, member incentives payable, risk-sharing contracts, and risk adjustments payable, which are not included in the above table.

As a result of changes in estimates for medical claims expenses attributable to insured events in prior years, the provision of medical claims expenses changed during 2023 and 2022. Estimates are adjusted as changes in these factors occur, and such adjustments are reported in the period of determination.

The following presents information about incurred and paid claims development as of September 30, 2023, net of reinsurance, as well as IBNR and cumulative reported claims by loss year for MHP and MDwise. The information related to incurred and paid claims development for the year ended September 30, 2022 and prior is presented as required supplemental information.

	Incurred Claims and Claim Adjustment Expenses, Net of Reinsurance, for the Years Ended September 30	
Incident Year	2022	2023
2022	$ 2,586,414	$ 2,514,028
2023	-	2,831,891
Total	$ 2,586,414	$ 5,345,919

(all amounts in thousands unless otherwise noted)

Note 10 - Medical and Other Claims Payable (Continued)

	As of September 30, 2023	
Incident Year	Total IBNR and Bulk Reserves	Cumulative Number of Reported Claims
2022	$ 9,236	$ 8,062
2023	286,254	8,709
Total	$ 295,490	$ 16,771

	Cumulative Paid Claims and Allocated Claim Adjustment Expenses, Net of Reinsurance, for the Years Ended September 30	
Incident Year	2022	2023
2022	$ 2,306,437	$ 2,507,823
2023	-	2,541,431
Total	$ 2,306,437	$ 5,049,254

Note 11 - Long-term Debt

The following is the detail of long-term debt:

	2023	2022
McLaren Health Care Series 2022A	$ 39,930	$ 45,215
McLaren Health Care Series 2019A	600,000	600,000
McLaren Health Care Series 2018A	400,000	400,000
McLaren Health Care Series 2016A	154,140	154,140
McLaren Health Care Series 2015A	77,571	80,562
McLaren Health Care Series 2015B	60,985	62,005
McLaren Health Care Series 2015C	70,535	74,542
McLaren Health Care Series 2015D-1	58,494	61,782
McLaren Health Care Series 2015D-2	75,409	75,408
McLaren Health Care Series 2010	60,413	63,769
Promissory and other notes payable	44,801	52,520
Unamortized premium	77,516	82,285
Less bond issuance cost	(8,829)	(9,427)
Long-term debt and unamortized discount/premium less debt issuance costs	1,710,965	1,742,801
Less current portion	27,507	27,193
Long-term portion	$ 1,683,458	$ 1,715,608

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, Karmanos, Lansing, Oakland, Lapeer, Macomb, Northern, Central, and Port Huron (the "Credit Group"), 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.

Note 11 - Long-term Debt (Continued)

During 2022, the Michigan Finance Authority issued Hospital Revenue Refunding Bonds, Series 2022A, totaling $45,215. The 2022A bonds bear interest at 3.03 percent and have annual maturities ranging from $100 to $6,385 beginning in 2023 through 2035. The bonds are secured by the gross revenue of the Credit Group.

During 2019, the Michigan Finance Authority issued Hospital Revenue Bonds, Series 2019A, totaling $600,000. The 2019A bonds consist of serial bonds and term bonds. The serial bonds bear interest at 5 percent and have annual maturities ranging from $960 to $26,470 beginning in 2025 through 2039. The term bonds have amounts and interest of $12,000 and 3.125 percent due on February 15, 2044; $152,165 and 4 percent due on February 15, 2044; $12,000 and 3.25 percent due on February 15, 2047; $129,130 and 4 percent due on February 15, 2047; and $167,165 and 4 percent due on February 15, 2050. The bonds are secured by the gross revenue of the Credit Group. The proceeds of the bonds were used to finance a replacement hospital at Lansing and capital projects at certain of its affiliates, as well as to finance general corporate purposes of the Corporation and certain of its affiliates.

During 2018, the Corporation issued Taxable Bonds, Series 2018A, totaling $300,000. The bonds have a balloon payment of $300,000 in 2048 with interest at 4.386 percent. The bonds are secured by the gross revenue of the Credit Group. The proceeds of the bonds were used to fund the acquisition of MDwise and to finance general corporate purposes of the Corporation and certain of its affiliates. During 2020, the Corporation issued $100,000 of Taxable Bonds. These bonds were issued pursuant to the terms of the original indenture of the Series 2018A bonds, which allowed for additional bonds to be issued from time to time and consolidated with the original series 2018A bonds. As with the 2018A bonds, these additional bonds have a balloon payment of $100,000 in 2048, with interest at 4.386 percent. The bonds are secured by the gross revenue of the Credit Group. The proceeds of the bonds were used to fund a portion of the costs of a medical office building at Lansing and to finance general corporate purposes of the Corporation and certain of its affiliates.

During 2016, the Michigan Finance Authority issued Hospital Revenue Bonds, Series 2016, totaling $154,140. The term bonds have annual redemption requirements ranging from $17,945 to $24,735 beginning in 2040 through 2046, with interest at 4.40 percent. The Series 2016 bonds are secured by the gross revenue of the Credit Group.

In May 2015, the Michigan Finance Authority issued Hospital Revenue Refunding Bonds, Series 2015A, totaling $101,995. The 2015A bonds consist of serial bonds with interest ranging from 4 percent to 5 percent and annual maturities ranging from $3,695 to $5,850 through May 15, 2035 and a term bond in the amount of $19,960, with interest at 5 percent and annual redemption requirements ranging from $6,370 to $6,940 through May 15, 2038.

In March 2015, the Michigan Finance Authority issued Hospital Revenue Refunding Bonds, Series 2015B, totaling $67,950. The 2015B bonds consist of serial bonds with interest ranging from 3 percent to 5 percent and annual maturities ranging from $1,065 to $14,095 through May 15, 2035.

In March 2015, Bank of New York Mellon issued McLaren Health Care Taxable Bonds, Series 2015C. The 2015C bonds consist of serial bonds with interest ranging from 3.43 percent to 4.23 percent and annual maturities ranging from $3,595 in 2024 to $4,805 in 2032 and a term bond in the amount of $41,495, due on May 15, 2038, with interest at 4.53 percent. The bonds also have mandatory sinking fund payments ranging from $4,070 in 2028 to $6,085 in 2038.

(all amounts in thousands unless otherwise noted)

Note 11 - Long-term Debt (Continued)

In May 2015, the Michigan Finance Authority issued Hospital Revenue Refunding Bonds, Series 2015D-1 and D-2 (collectively, the "2015D bonds"), totaling $154,160. The 2015D-1 bonds currently consist of serial bonds and term bonds. The serial bonds bear interest at rates varying from 0.55 percent to 1.10 percent and have annual maturities ranging from $3,830 to $6,425 beginning in 2021 through 2027. The term bonds have a principal amount of $36,215 and are due on October 15, 2030. The term bonds bear interest at a rate of 1.20 percent through April 12, 2028, at which point the term bonds are subject to a mandatory purchase date. The 2015D-2 bonds consist of term bonds. The term bonds have a principal amount of $75,420 and are due on October 15, 2038. The 2015D-2 bonds also have mandatory sinking fund payments ranging from $2,915 in 2035 to $20,295 in 2039.The term bonds bear interest at a rate of 1.20 percent through April 12, 2028, at which point the term bonds are subject to a mandatory purchase date.

McLaren Health Care Series 2010 bonds consist of revenue bonds issued by the 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 of $3,356 plus interest. The remaining outstanding principal is due on January 30, 2030. The bonds bear interest at 2.36 percent per annum.

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, 2023, management believes that the Corporation was in compliance with financial covenants.

Karmanos has various promissory notes that are due to a financial institution, of which a portion of the promissory notes is 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 1.5 percent over the Bloomberg Short-Term Bank Yield Index rate for an effective rate of 6.87 percent and 3.51 percent as of September 30, 2023 and 2022, respectively. The promissory notes mature in July 2026.

Scheduled minimum principal payments on long-term debt to maturity as of September 30, 2023 are as follows:

Years Ending	Amount
2024	$ 27,507
2025	28,494
2026	29,649
2027	32,669
2028	29,892
Thereafter	1,494,067
Bond issue costs	(8,829)
Unamortized premium	77,516
Total	$ 1,710,965

Derivatives

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

Note 11 - Long-term Debt (Continued)

Objectives and Strategies

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

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

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

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

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 and 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.

Transactions

MHC has entered into five 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. No collateral was required to be posted at September 30, 2023 and 2022. The Corporation’s accounting policy is not to offset collateral amounts against fair value amounts recognized for derivative instrument obligations.

The first swap agreement is for a notional amount of $225,000. 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 $53,820 and $57,320 at September 30, 2023 and 2022, 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.

Note 11 - Long-term Debt (Continued)

The third swap agreement is for a notional amount of $75,000. 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.

The fourth swap agreement is for a notional amount of $154,140. Under the terms of the agreement, MHC pays the counterparty a fixed rate of 1.89 percent and receives in exchange 0.79 percent of the USD federal funds rate through January 15, 2025. MHC will receive 68 percent of the USD federal funds rate beginning on February 15, 2025.

The fifth swap agreement is for a notional amount of $154,140. Under the terms of the agreement, MHC pays the counterparty a variable rate of the USD federal funds rate plus 0.55 percent and receives in exchange a fixed rate of 4.40 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 expenses over revenue, as well as any settlements on the interest rate swaps. There were no settlements in 2023 or 2022.

The Corporation's interest rate swap liability was approximately $7,974 and $23,956 at September 30, 2023 and 2022, respectively. The Corporation's interest rate swap asset was approximately $301 and $0 at September 30, 2023 and 2022, respectively. The amount of gain recognized in the consolidated statement of operations attributable to derivative instruments as changes in fair market value of interest rate swap agreements was approximately $16,283 and $4,741 for the years ended September 30, 2023 and 2022, respectively.

Note 12 - Notes Payable and Commercial Paper

The Corporation opened a $150,000 commercial paper program in May 2021. The Corporation uses the proceeds to finance current transactions, including to refinance certain indebtedness and for other corporate purposes. As of September 30, 2023 and 2022, the Corporation had an outstanding balance on the commercial paper debt of $0 and $64,973, respectively.

MHC negotiated, on behalf of the Corporation, one revolving line of credit agreement, secured by the gross revenue of the Credit Group, with JPMorgan Chase in the amount of $150,000. There were no changes to the lines of credit in 2023.

The line of credit agreement expires on June 2, 2025.

There was no outstanding balance on the line of credit as of September 30, 2023 and 2022. At September 30, 2023, the line of credit would bear interest on any outstanding balance at the one-month Secured Overnight Financing Rate plus 75 basis points, an effective rate of 6.17 percent. At September 30, 2022, the line of credit would bear interest on any outstanding balance at the one-month London Interbank Offer Rate plus 60 basis points, an effective rate of 3.74 percent.

(all amounts in thousands unless otherwise noted)

Note 13 - Accrued and Other Liabilities

The following is the detail of accrued liabilities:

	2023	2022
Payroll and related items	$ 82,816	$ 99,301
Compensated absences	57,456	59,131
Professional liability claims - Current portion (Note 16)	1,481	1,195
Interest	13,483	14,216
Amounts due to others	36,124	27,773
Insurance payables to delivery systems and the State of Indiana	4,991	227,505
Other	231,427	162,336
Total accrued liabilities	$ 427,778	$ 591,457

Other accrued liabilities consist of various amounts owed by the Corporation, including certain liabilities for MDwise relating to escrow balances and amounts due to providers and networks for funds related to capitation receipts and risk-sharing agreements.

Note 14 - Due from Trusts

McLaren Foundation is the sole beneficiary of the income from the Minnie I. Ballenger Trust and other trusts (collectively, the "Trusts"). The amount due from the Trusts (see Note 7) 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 net assets without donor restrictions. Changes in the fair value of the investments in the Trusts are recorded as changes in net assets with donor restrictions by McLaren Foundation.

The amounts receivable, representing the fair value of the trust assets, are as follows:

	2023	2022
Minnie I. Ballenger Trust	$ 40,209	$ 38,248
Other	978	925
Total	$ 41,187	$ 39,173

Note 15 - Pension and Other Postretirement Benefit Obligation

The Corporation sponsors various defined benefit plans (the "defined benefit plans") for certain eligible employees. The defined benefit plans are closed to new entrants and are considered pay as you go plans, and, therefore, the Corporation funds obligations for the defined benefit plans as they become due.

Certain employees of various subsidiaries participated in a defined benefit pension plan (the "MEPP plan"). The Corporation has historically contributed amounts deemed necessary to maintain the MEPP plan on a sound actuarial basis.

The MEPP plan has frozen the accrual of future benefits and participation by new hires. In November 2021, the Corporation communicated its intent to terminate the MEPP plan, which has been substantially completed as of September 30, 2023. On December 5, 2022, the Corporation was granted approval by the Internal Revenue Service to terminate the plan. During 2023, the Corporation entered into an annuity purchase agreement that triggered a settlement in the amount of approximately $1.2 billion. The settlement decreased the benefit obligation and increased the net periodic cost by $627 million. An additional contribution of approximately $10.7 million was required by the Corporation to fully settle the plan's benefits during 2023.

(all amounts in thousands unless otherwise noted)

Note 15 - Pension and Other Postretirement Benefit Obligation (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.

Various subsidiaries also sponsor defined benefit postretirement plans that provide postretirement medical benefits to certain employees.

Obligations and Funded Status

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Change in benefit obligation:				
Benefit obligation at beginning of year	$ 1,165,200	$ 1,506,535	$ 3,191	$ 4,907
Service cost	-	-	25	49
Interest cost	40,675	46,914	179	152
Plan participants' contributions	-	-	277	270
Actuarial gain	23,731	(304,361)	(443)	(1,812)
Benefits and expenses	(46,821)	(83,888)	(354)	(375)
Settlements	(1,182,785)	-	-	-
Benefit obligation at end of year	-	1,165,200	2,875	3,191
Change in plan assets:				
Fair value of plan assets at beginning of year	1,146,268	1,521,693	-	-
Actual return on plan assets	57,886	(299,969)	-	-
Employer contributions	10,677	8,432	77	105
Plan participants' contributions	-	-	277	270
Benefits paid	(46,565)	(83,888)	-	(375)
Settlements	(1,168,266)	-	(354)	-
Fair value of plan assets at end of year	-	1,146,268	-	-
Funded status and accrued benefit obligation at end of year	$ -	$ (18,932)	$ (2,875)	$ (3,191)

The accumulated benefit obligation for all defined benefit pension plans was approximately $1,165,000 at September 30, 2022.

(all amounts in thousands unless otherwise noted)

Note 15 - Pension and Other Postretirement Benefit Obligation (Continued)

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

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Net Periodic Benefit Cost				
Service cost	$ -	$ -	$ 25	$ 49
Interest cost	21,711	43,359	179	152
Expected return on plan assets	(40,302)	(66,944)	-	-
Amortization of prior service cost (credits)	9,646	20,944	(1,876)	(1,718)
Total net periodic benefit cost	$ (8,945)	$ (2,641)	$ (1,672)	$ (1,517)
Other Changes in Plan Assets and Benefit Obligations				
Net loss (gain)	$ -	$ 629,939	$ (9,085)	$ (16,945)
Prior service credit	-	-	(6,635)	(7,697)
Total other changes in plan assets and benefit obligations	$ -	$ 629,939	$ (15,720)	$ (24,642)

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

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	-	5.20%	6.40%	5.90%

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

	Pension Benefits		Other Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	-	3.20%	5.90%	3.20%
Expected long-term return on plan assets	-	4.50%	-	-

The actuarial assumption for rate of compensation increase is age graded for the benefit obligation and net periodic benefit cost at September 30, 2023 and 2022.

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. Adjustments to historical returns have been made to reflect 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.

(all amounts in thousands unless otherwise noted)

Note 15 - Pension and Other Postretirement Benefit Obligation (Continued)

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 were 100 percent global fixed income for the MEPP plan at September 30, 2022.

The fair values of the Corporation's pension plan assets by major asset classes are as follows:

	Fair Value Measurements at September 30, 2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Asset Classes				
Mutual funds:				
Equity investments	$ 112,433	$ 19,024	$ -	$ 131,457
Fixed-income investments	52,762	950,330	-	1,003,092
Equity investments:				
Other - Money market fund	-	11,719	-	11,719
Total	$ 165,195	$ 981,073	$ -	$ 1,146,268

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 in active markets and other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

Cash Flow

Contributions

The Corporation expects that it will not need to make contributions to its other postretirement benefit plan in 2024.

Estimated Future Benefit Payments

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

Year	Postretirement Benefits
2024	$ 274
2025	288
2026	295
2027	291
2028	297
Thereafter	1,390

Note 16 - Professional Liability Insurance

The Corporation has professional malpractice liability coverage provided by a multiprovider offshore captive insurance company (MICOL) on a retrospectively rated claims-made policy for all entities.

(all amounts in thousands unless otherwise noted)

Note 16 - Professional Liability Insurance (Continued)

MICOL has agreements with various reinsurers. MICOL has coverage of $8 million per claim during the year ended September 30, 2023 and $6 million per claim during the year ended September 30, 2022, in excess of $30 million.

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.

The detail of accrued professional liability for the self-insurance plans and the MICOL claims are as follows:

	2023	2022
Total professional liability claims	$ 153,524	$ 121,972
Less current portion (Note 13)	1,481	1,195
Long-term portion	$ 152,043	$ 120,777

Note 17 - Functional Expenses

The Corporation fulfills the health care requirements of residents in the communities it serves by providing, as its principal function, a complete array of necessary health care services. The financial statements report certain expense categories that are attributable to more than one health care service or support function; therefore, these expenses required an allocation on a reasonable basis that is consistently applied. Costs not directly attributable to a function, including depreciation and amortization, are based on total square footage, and interest is allocated based on total square footage of buildings funded by debt. Although methods of allocation used are considered appropriate, other methods could be used that would produce different amounts.

Expenses related to providing these services, classified by function, are as follows for the year ended September 30, 2023:

	Health Care Services			Support Services			
	Hospital/ Physician	Insurance	Post Acute/Other	MG&A	Fundraising	Research	Total
Salaries and wages	$ 962,509	$ 30,937	$ 128,629	$ 279,307	$ 2,781	$ 7,354	$ 1,411,517
Employee benefits and payroll taxes	165,070	5,233	20,916	84,220	358	889	276,686
Supplies	691,047	964	78,604	6,554	348	86	777,603
Purchased services and other	448,814	199,532	8,064	357,991	8,992	11,507	1,034,900
Medical claims expense	-	2,779,684	-	1,418	-	-	2,781,102
Depreciation and amortization	71,437	-	6,930	93,803	270	372	172,812
Interest expense	8,876	-	123	47,459	-	-	56,458
Total	$ 2,347,753	$ 3,016,350	$ 243,266	$ 870,752	$ 12,749	$ 20,208	$ 6,511,078

(all amounts in thousands unless otherwise noted)

Note 17 - Functional Expenses (Continued)

Expenses related to providing these services, classified by function, are as follows for the year ended September 30, 2022:

	Health Care Services			Support Services			
	Hospital/ Physician	Insurance	Post Acute/Other	MG&A	Fundraising	Research	Total
Salaries and wages	$ 958,621	$ 29,297	$ 129,394	$ 272,689	$ 3,026	$ 15,331	$ 1,408,358
Employee benefits and payroll taxes	162,319	5,758	21,240	70,755	434	2,647	263,153
Supplies	641,583	1,199	75,072	9,928	292	154	728,228
Purchased services and other	409,564	156,483	28,918	370,441	7,012	317	972,735
Medical claims expense	-	2,583,716	8	150	-	-	2,583,874
Depreciation and amortization	84,926	125	7,344	65,174	279	422	158,270
Interest expense	24,147	21	143	26,902	-	-	51,213
Total	$ 2,281,160	$ 2,776,599	$ 262,119	$ 816,039	$ 11,043	$ 18,871	$ 6,165,831

Note 18 - Leases

The Corporation is obligated under operating leases primarily for equipment and buildings, expiring at various dates through the 2043 fiscal year. Some leases contain renewal options. The Corporation utilizes the risk-free rate and the term of the lease to determine the present value of future payments. The weighted-average remaining lease term at September 30, 2023 and 2022 is 10.96 and 8.51 years, respectively. The weighted-average discount rate of the leases is 2.67 and 2.47 percent at September 30, 2023 and 2022, respectively. Some of the leases require the Corporation to pay taxes, insurance, utilities, and maintenance costs. Total operating lease expense during the years ended September 30, 2023 and 2022 was $24,042 and $25,090, respectively. Total operating cash flows relating to operating leases during the years ended September 30, 2023 and 2022 were $23,453 and $24,391, respectively.

The Corporation assesses whether it is reasonably certain to exercise an option to extend or terminate a lease at the commencement date. In this assessment, the Corporation considers all relevant factors that create economic incentive to exercise such options, including asset, contract, market, and entity-based factors.

The Corporation made a policy election not to separate lease and nonlease components for land, building, and leasehold improvement leases. Therefore, the full amount of the lease payment is included in the recorded right-of-use asset and lease liability.

The Corporation has certain operating leases with a lease term of one year or less that the Corporation elected to account for as short-term leases. As these leases are short-term leases, they are not included in the right-of-use asset and lease liability. Total expense related to short-term leases was $11,762 and $11,637 for the years ended September 30, 2023 and 2022, respectively.

(all amounts in thousands unless otherwise noted)

Note 18 - Leases (Continued)

Future minimum annual commitments under these operating leases are as follows:

Years Ending September 30	Amount
2024	$ 22,604
2025	19,639
2026	18,034
2027	16,250
2028	15,467
Thereafter	80,273
Total	172,267
Less amount representing interest	31,668
Present value of net minimum lease payments	140,599
Less current obligations	18,066
Long-term obligations under capital leases	$ 122,533

Note 19 - Liquidity and Availability of Resources

The following reflects the Corporation's financial assets as of September 30, 2023 and 2022, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated balance sheet date:

	2023	2022
Cash and cash equivalents	$ 709,954	$ 1,065,462
Accounts receivable	313,589	348,085
Health care insurance receivable	435,853	297,383
Investments and assets limited as to use	1,805,093	1,609,839
Other current assets and other assets	568,622	544,576
Financial assets - At year end	3,833,111	3,865,345
Less those unavailable for general expenditures within one year due to contractual or donor-imposed restrictions:		
Funds held by trustees under bond indentures (Note 7)	29,816	31,674
Funds held in trust for payment of professional and other liability claims (Note 7)	131,160	95,554
Funds held in trust for benefit of MHC and funds restricted by donors for specific purposes (Note 7)	104,331	111,269
Funds held in trust for payment of employee benefits (Note 7)	62,697	53,501
Pledges receivable - Net (Note 7)	4,140	5,594
Financial assets available to meet cash needs for general expenditures within one year	$ 3,500,967	$ 3,567,753

Note 19 - Liquidity and Availability of Resources (Continued)

The Corporation has certain donor-restricted assets limited as to use, which are more fully described in Note 7. These amounts are not available for general expenditure within the next year. However, the board-designated amounts could be made available, if necessary.

The Corporation has a goal to maintain financial assets, which consist of cash and short-term investments, on hand to meet at least 30 days of normal operating expenses. The Corporation has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the Corporation invests cash in excess of daily requirements in various short-term investments, including certificates of deposit and short-term treasury instruments.

The Corporation also realizes there could be unanticipated liquidity needs.

Note 20 - COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the outbreak of a respiratory disease caused by a new coronavirus a pandemic. First identified in late 2019 and now known as COVID-19, the outbreak has impacted hundreds of thousands of individuals worldwide. In response, many countries have implemented measures to combat the outbreak that have impacted global business operations. During the second and third quarters of 2020, and all of 2021 and 2022, the Corporation's operations were significantly impacted, as shelter-in-place orders and a government mandate to suspend elective procedures reduced volumes during the period. The Corporation mitigated the impact by managing workforce productivity, delaying capital expenditures, actively managing cash disbursements, and implementing other cost-reduction measures.

The CARES Act was enacted on March 27, 2020 and authorized $100 billion to be administered through grants and other mechanisms to hospitals, public entities, not-for-profit entities, and Medicare- and Medicaid-enrolled suppliers and institutional providers. The purpose of these funds is to reimburse providers for lost revenue attributable to the coronavirus disease pandemic, such as forgone revenue from canceled procedures, and to provide support for related health care expenses, such as constructing temporary structures or emergency operation centers; retrofitting facilities; purchasing medical supplies and equipment, including personal protective equipment and testing supplies; and increasing workforce. Further, these relief funds ensure uninsured patients are receiving testing and treatment for COVID-19. There was also an additional $8.5 billion in funds appropriated under the American Rescue Plan (ARP) Act of 2021, which was distributed in December 2021 to eligible health care providers.

As of September 30, 2023, the Corporation has received payments of $258 million, as part of general and targeted distributions of the CARES Act Provider Relief Fund and ARP Rural payments under the American Rescue Plan Act of 2021, which were distributed between April 2020 and December 2021. These payments are not subject to repayment, provided the Corporation is able to attest to and comply with the terms and conditions of the funding, including demonstrating that the distributions received have been used for health care-related expenses or lost revenue attributed to COVID-19. Based on an analysis of compliance and reporting requirements of the Provider Relief Fund and ARP Rural payments and the impact of the pandemic on the Corporation's operating results through September 30, 2023, the Corporation believes there is reasonable assurance the applicable terms and conditions required to retain the funds are met as of September 30, 2023 and 2022. Therefore, the Corporation has recognized $7 million and $49 million as other operating revenue on the consolidated statement of operations for the years ended September 30, 2022 and 2021, respectively.

The Corporation recorded $0 and $7 million as deferred revenue in the consolidated balance sheet as of September 30, 2023 and 2022, respectively, where conditions for recognition have not yet been met. The Corporation will continue to monitor the terms and conditions of the CARES Act funds and ARP Rural payments and the impact of the pandemic on revenue and expenses.

Note 20 - COVID-19 Pandemic (Continued)

HHS' requirements for the uses of the CARES Act funds and ARP Rural payments are subject to change and are open to interpretation and clarification; therefore, there may be changes in the amounts recognized as other operating revenue during the years ended September 30, 2023 and 2022. If the Corporation is unable to attest to or comply with future terms and conditions, the ability to retain some or all of the distributions received may be impacted. Any changes in amounts recognized as a result of new guidance, interpretation, or clarification will be recognized in the period in which the change occurred.

In addition, the Corporation received reimbursement for qualifying expenses related to COVID-19 under the Federal Emergency Management Agency (FEMA) Disaster Relief Fund. In 2023, the Corporation recognized $10 million in FEMA funding received. The Corporation also received and recognized $5 million in state funding to be used towards workforce retention. These amounts are recorded within other operating revenue on the consolidated statement of operations.

Medicare Accelerated Payments

The Corporation requested accelerated Medicare payments, as provided for in the CARES Act, which allows for eligible health care facilities to request up to 6 months of accelerated Medicare payments for acute-care hospitals. The repayment terms of accelerated payments began one year after the first payment was issued and are initially recouped at 25 percent of the Medicare payments to the Corporation for 11 months. After 11 months, the recoupment will increase to 50 percent of the Medicare payments to the Corporation for 6 additional months (or until all amounts are repaid). Any unapplied accelerated payment amounts that are unpaid after this 17-month period are due to CMS, plus interest at a rate of 4 percent on the outstanding balance. The Corporation received approximately $386 million of accelerated payments. During 2023 and 2022, the Corporation repaid approximately $87 million and $242 million, respectively, and has approximately $0 million remaining as a current liability on the consolidated balance sheet as of September 30, 2023.

Medicaid Redetermination

Beginning in April 2023 (Indiana) and June 2023 (Michigan), Individual Medicaid beneficiaries will be required to provide support verifying their eligibility to continue receiving Medicaid benefits through the Medicaid redetermination process. As a result of the public health emergency from the COVID-19 pandemic, there was an increase in Medicaid members nationwide. Since the start of the public health emergency, Medicaid members have not had to reconfirm their eligibility and as economic conditions and circumstances have improved for parts of the population, beneficiaries may no longer be eligible for the benefits of the program. Through September 30, 2023, the impact to insurance premium revenue and medical claims resulting from the Medicaid redetermination process on both insurance plans is a decrease of approximately $50 million in premium revenue and $43 million in medical claims expense. The expected future impact for premium revenue and medical claims is a decrease of approximately $264 million in premium revenue and $262 million in medical claims expense in 2024.

(all amounts in thousands unless otherwise noted)

Note 21 - Discontinued Operations

The major classes of revenue and expenses of St. Luke's included in discontinued operations for the year ended September 30, 2023 are as follows:

	2023	2022
Net patient service revenue	$ 70,884	$ 161,252
Other expense	(155,282)	(208,708)
Loss from operations	(84,398)	(47,456)
Loss on disposal of fixed assets (Note 2)	(45,341)	-
Impairment of goodwill (Note 8)	(71,747)	-
Other income (loss)	4,256	(6,069)
Total loss from discontinued operations	$ (197,230)	$ (53,525)

The major classes of assets and liabilities included as part of discontinued operations at September 30 are as follows:

	2023	2022
Assets:		
Property and equipment - Net	$ -	$ 63,327
Goodwill	-	71,747
Total assets classified as held for sale in the consolidated balance sheet	$ -	$ 135,074

Additional Information

Plante & Moran, PLLC
Suite 300
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.459.3594
plantemoran.com

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, 2023 and 2022 and have issued our report thereon dated January 8, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audits were performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating information is presented for the purpose of additional analysis rather than to present the financial position, results of operations, and cash flows of the individual companies and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

January 8, 2024

McLaren Health Care Corporation and Subsidiaries

Consolidating Balance Sheet

September 30, 2023
(in thousands)

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland	Central	Northern	Port Huron	Caro	Thumb	St. Luke's
Assets													
Current Assets													
Cash and cash equivalents	$ 944	$ 215	$ 3,471	$ 25,750	$ 22,310	$ 4,426	$ 49,239	$ 257	$ 3,933	$ 54,787	$ 6,882	$ 14,841	$ 3,116
Accounts receivable - Net	98	45,716	26,196	9,271	27,884	54,166	34,512	4,247	26,272	24,458	775	768	-
Due from related parties	266,419	8,119	4,157	3,292	-	6,016	3,659	-	7,101	4,075	-	-	-
Health care insurance receivables	-	-	-	-	-	-	-	-	-	-	-	-	-
Third-party payor settlements receivable	-	-	-	-	-	-	228	3,009	-	-	-	-	-
Assets limited as to use	-	1,000	-	-	-	-	-	-	-	-	-	-	15,471
Other current assets	33,150	18,487	13,137	5,123	19,501	12,325	8,586	7,166	11,391	12,455	1,362	1,188	2,810
Total current assets	300,611	73,537	46,961	43,436	69,695	76,933	96,224	14,679	48,697	95,775	9,019	16,797	21,397
Investments - Including internally designated	95,130	176,210	206,961	62,764	136,614	335,806	26,809	9,112	58,885	141,107	-	-	-
Property and Equipment - Net	163,864	253,135	111,670	45,552	508,729	156,226	49,968	27,702	241,714	167,517	4,568	12,406	-
Right-of-use Operating Lease Assets	9,906	174	18,696	186	16,980	29,706	2,872	121	16,602	2,525	-	-	-
Goodwill	-	3,428	848	63	1,496	326	3,868	7,685	-	156	-	-	-
Intangible Assets	-	-	-	-	-	-	175	-	-	-	-	-	-
Fair Value of Interest Rate Swap Agreements	301	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets	96,347	24,368	16,795	3,841	58,554	35,318	11,246	7,016	15,552	8,156	557	943	-
Total assets	**$ 666,159**	**$ 530,852**	**$ 401,931**	**$ 155,842**	**$ 792,068**	**$ 634,315**	**$ 191,162**	**$ 66,315**	**$ 381,450**	**$ 415,236**	**$ 14,144**	**$ 30,146**	**$ 21,397**

Consolidating Balance Sheet (Continued)

September 30, 2023
(in thousands)

	Karmanos	MMG	ACO	MHMG	MHP	MIG	MDwise	BSC	MICOL	Foundations	Eliminating Entries	Total
Assets												
Current Assets												
Cash and cash equivalents	$ 85,950	$ -	$ 686	$ 24,802	$ 286,899	$ 4,901	$ 263,017	$ 5,150	$ 19,824	$ 8,801	$ (180,247)	$ 709,954
Accounts receivable - Net	44,633	(2,515)	-	20,643	-	-	-	541	-	1	(4,077)	313,589
Due from related parties	3,147	469	-	-	-	-	-	3,250	-	-	(309,704)	-
Health care insurance receivables	-	-	-	-	99,932	-	335,921	-	-	-	-	435,853
Third-party payor settlements receivable	-	-	-	-	-	-	-	100	-	-	(3,337)	-
Assets limited as to use	-	-	-	-	-	-	-	-	-	-	-	16,471
Other current assets	38,448	6,608	3,543	3,987	2,798	-	6,083	43	39,572	5,184	(4,311)	248,636
Total current assets	172,178	4,562	4,229	49,432	389,629	4,901	605,021	9,084	59,396	13,986	(501,676)	1,724,503
Investments - Including internally designated	22,553	481	-	19,311	180,312	-	68,977	33,423	-	54,016	160,151	1,788,622
Property and Equipment - Net	90,873	15,166	-	12,925	3,743	-	2,422	973	-	8,335	-	1,877,488
Right-of-use Operating Lease Assets	11,042	17,652	2,226	2,325	329	-	6,500	-	-	-	-	137,842
Goodwill	-	5,887	-	-	5,550	28,312	-	-	-	-	-	57,619
Intangible Assets	-	18	-	-	10,203	70,726	-	-	-	-	-	81,122
Fair Value of Interest Rate Swap Agreements	-	-	-	-	-	-	-	-	-	-	-	301
Other Assets	58,219	46,663	2,491	47,807	4,227	451	34	19	71,694	64,336	(80,010)	494,624
Total assets	**$ 354,865**	**$ 90,429**	**$ 8,946**	**$ 131,800**	**$ 593,993**	**$ 104,390**	**$ 682,954**	**$ 43,499**	**$ 131,090**	**$ 140,673**	**$ (421,535)**	**$ 6,162,121**

Consolidating Balance Sheet (Continued)

September 30, 2023
(in thousands)

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland	Central	Northern	Port Huron	Caro	Thumb	St. Luke's
Liabilities and Net Assets (Deficiency in Net Assets)													
Current Liabilities													
Due to related parties	$ -	$ -	$ -	$ -	$ 8,785	$ -	$ -	$ 919	$ -	$ -	$ 10	$ 312	$ -
Accounts payable	75,302	23,294	10,416	5,849	28,547	13,674	10,584	3,548	17,048	9,936	641	1,658	54,050
Current portion of long-term debt	727	6,771	1,317	987	6,393	4,467	1,075	200	1,250	3,429	-	891	-
Current portion of lease liabilities - Operating	2,115	174	1,925	145	771	1,775	973	108	1,951	434	-	-	-
Medical and other claims payable	-	-	-	-	-	-	-	-	-	-	-	-	-
Third-party payor settlements payable	-	12,143	7,839	3,402	2,945	16,678	-	-	6,204	8,722	1,862	4,101	-
Accrued liabilities and other	59,737	13,641	10,751	4,255	14,834	9,075	7,951	3,403	10,327	8,090	737	2,203	90
Total current liabilities	137,881	56,023	32,248	14,638	62,275	45,669	20,583	8,178	36,780	30,611	3,250	9,165	54,140
Long-term Debt - Net of current portion	382,497	146,969	39,019	45,700	643,657	163,335	27,266	850	146,163	49,521	-	5,286	-
Lease Liabilities - Operating	8,252	-	16,815	40	16,156	28,035	2,002	14	15,430	2,090	-	-	-
Fair Value of Interest Rate Swap Agreements	7,974	-	-	-	-	-	-	-	-	-	-	-	-
Other Liabilities	151,339	11,080	5,075	870	5,661	4,192	5,616	1,895	3,851	8,411	769	1,131	-
Total liabilities	687,943	214,072	93,157	61,248	727,749	241,231	55,467	10,937	202,224	90,633	4,019	15,582	54,140
Net Assets (Deficiency in Net Assets)													
Without donor restrictions	(27,631)	314,930	308,268	94,594	64,318	392,430	135,013	54,548	179,226	324,599	10,125	14,564	(34,977)
With donor restrictions	5,847	1,850	506	-	1	654	682	830	-	4	-	-	2,234
Total net assets (deficiency in net assets)	(21,784)	316,780	308,774	94,594	64,319	393,084	135,695	55,378	179,226	324,603	10,125	14,564	(32,743)
Total liabilities and net assets (deficiency in net assets)	**$ 666,159**	**$ 530,852**	**$ 401,931**	**$ 155,842**	**$ 792,068**	**$ 634,315**	**$ 191,162**	**$ 66,315**	**$ 381,450**	**$ 415,236**	**$ 14,144**	**$ 30,146**	**$ 21,397**

Consolidating Balance Sheet (Continued)

September 30, 2023
(in thousands)

	Karmanos	MMG	ACO	MHMG	MHP	MIG	MDwise	BSC	MICOL	Foundations	Eliminating Entries	Total
Liabilities and Net Assets (Deficiency in Net Assets)												
Current Liabilities												
Due to related parties	$ -	$ -	$ 8,684	$ 42,596	$ 1,861	$ 239,249	$ 3,531	$ -	$ -	$ 4,929	$ (310,876)	$ -
Accounts payable	29,971	4,047	29	7,106	104,296	1,115	19,070	191	185	212	(2,903)	417,866
Current portion of long-term debt	-	-	-	-	-	-	-	-	-	-	-	27,507
Current portion of lease liabilities - Operating	1,896	3,365	202	1,038	218	-	976	-	-	-	-	18,066
Medical and other claims payable	-	-	136	-	103,265	-	203,787	-	-	-	-	307,188
Third-party payor settlements payable	6,227	-	-	-	-	-	-	-	-	-	(3,337)	66,786
Accrued liabilities and other	45,215	21,280	391	10,022	33,022	5,459	179,310	945	-	919	-	441,657
Total current liabilities	83,309	28,692	9,442	60,762	242,662	245,823	406,674	1,136	185	6,060	(317,116)	1,279,070
Long-term Debt - Net of current portion	34,927	-	-	-	-	(1,732)	-	-	-	-	-	1,683,458
Lease Liabilities - Operating	9,375	14,670	2,058	1,307	111	-	6,178	-	-	-	-	122,533
Fair Value of Interest Rate Swap Agreements	-	-	-	-	-	-	-	-	-	-	-	7,974
Other Liabilities	7,125	28,404	-	11,009	20,183	451	-	19	113,875	-	(103,099)	277,857
Total liabilities	134,736	71,766	11,500	73,078	262,956	244,542	412,852	1,155	114,060	6,060	(420,215)	3,370,892
Net Assets (Deficiency in Net Assets)												
Without donor restrictions	183,665	18,663	(2,554)	58,722	331,037	(140,152)	270,102	42,344	17,030	37,658	(1,320)	2,645,202
With donor restrictions	36,464	-	-	-	-	-	-	-	-	96,955	-	146,027
Total net assets (deficiency in net assets)	220,129	18,663	(2,554)	58,722	331,037	(140,152)	270,102	42,344	17,030	134,613	(1,320)	2,791,229
Total liabilities and net assets (deficiency in net assets)	**$ 354,865**	**$ 90,429**	**$ 8,946**	**$ 131,800**	**$ 593,993**	**$ 104,390**	**$ 682,954**	**$ 43,499**	**$ 131,090**	**$ 140,673**	**$ (421,535)**	**$ 6,162,121**

Consolidating Statement of Operations

Year Ended September 30, 2023
(in thousands)

	MHC	Flint	Bay	Lapeer	Lansing	Macomb	Oakland	Central	Northern	Port Huron	Caro	Thumb	St. Luke's
Unrestricted Revenue, Gains, and Other Support													
Patient service revenue	$ -	$ 471,382	$ 304,457	$ 134,851	$ 450,916	$ 372,550	$ 247,343	$ 117,232	$ 257,651	$ 255,657	$ 19,480	$ 43,173	$ -
Premium revenue	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	363,305	20,844	10,055	2,520	44,503	15,258	23,086	27,782	4,394	7,714	1,871	2,190	-
Net assets released from restrictions used for operations	-	912	-	-	-	(113)	70	32	-	-	-	-	-
Total unrestricted revenue, gains, and other support	363,305	493,138	314,512	137,371	495,419	387,695	270,499	145,046	262,045	263,371	21,351	45,363	-
Expenses													
Salaries and wages	130,862	203,691	138,801	60,187	169,626	159,257	96,967	78,800	94,935	111,100	8,710	20,780	-
Employee benefits and payroll taxes	31,944	43,207	29,957	12,063	35,439	32,237	19,730	13,751	18,961	23,117	1,673	4,044	-
Supplies	(639)	106,017	80,637	20,524	114,543	68,538	58,922	22,869	67,809	51,435	1,389	6,927	-
Purchased services and other	170,162	89,940	70,246	31,115	95,937	96,454	62,898	44,843	57,316	57,683	6,365	13,054	-
Medical claims expense	-	-	-	-	-	-	-	-	-	-	-	-	-
Depreciation and amortization	21,816	23,729	12,717	5,998	35,424	20,505	8,765	4,229	15,633	16,248	817	2,012	-
Interest expense	4,876	4,415	1,856	1,934	21,478	6,037	1,357	249	4,787	1,657	49	182	-
Total expenses	359,021	470,999	334,214	131,821	472,447	383,028	248,639	164,741	259,441	261,240	19,003	46,999	-
Operating Income (Loss)	4,284	22,139	(19,702)	5,550	22,972	4,667	21,860	(19,695)	2,604	2,131	2,348	(1,636)	-
Nonoperating Income (Loss)													
Investment income (loss)	4,111	2,598	2,651	2,120	4,662	6,018	2,534	(322)	1,592	3,710	199	449	-
Change in interest rate swap agreements	16,283	-	-	-	-	-	-	-	-	-	-	-	-
Other components of net periodic pension cost	(1,196)	(1,910)	467	(822)	(925)	(798)	(608)	(87)	(943)	(1,913)	-	(8)	-
Pension settlement costs	(18,813)	(223,698)	(67,727)	(41,498)	(83,065)	(56,342)	(42,534)	-	(37,162)	(29,124)	-	-	-
Change in unrealized investment gains	16,068	21,234	28,353	6,913	15,053	36,938	2,945	2,084	6,276	15,730	-	-	-
Other	-	-	-	-	(4,410)	-	-	-	-	142	-	-	-
Total nonoperating income (loss)	16,453	(201,776)	(36,256)	(33,287)	(68,685)	(14,184)	(37,663)	1,675	(30,237)	(11,455)	199	441	-
Excess of Revenue Over (Under) Expenses	20,737	(179,637)	(55,958)	(27,737)	(45,713)	(9,517)	(15,803)	(18,020)	(27,633)	(9,324)	2,547	(1,195)	-
Net Assets Transferred (to) from Affiliate	(163,018)	(1,314)	(5,924)	(441)	(846)	(3,614)	(2,266)	20,114	(6,758)	4,307	1,866	2,522	160,218
Loss on Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	-	(197,230)
Other Changes in Net Assets	-	-	(8)	220	-	(32)	-	-	(45)	(3)	-	(1)	72
Pension-related Changes Other Than Net Periodic Benefit Cost	18,861	223,740	67,820	41,881	83,320	56,598	42,732	-	37,478	30,227	-	-	(7,537)
Net Assets Released from Restrictions	-	221	-	-	-	-	(5)	35	-	-	-	-	-
(Decrease) Increase in Net Assets without Donor Restrictions	**$ (123,420)**	**$ 43,010**	**$ 5,930**	**$ 13,923**	**$ 36,761**	**$ 43,435**	**$ 24,658**	**$ 2,129**	**$ 3,042**	**$ 25,207**	**$ 4,413**	**$ 1,326**	**$ (44,477)**

Consolidating Statement of Operations (Continued)

Year Ended September 30, 2023
(in thousands)

	Karmanos	MMG	ACO	MHMG	MHP	MIG	MDwise	BSC	MICOL	Foundations	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support												
Patient service revenue	$ 338,347	$ 28,631	$ -	$ 105,134	$ -	$ -	$ -	$ 6,846	$ -	$ -	$ (54,144)	$ 3,099,506
Premium revenue	-	-	-	-	1,224,692	-	1,939,545	-	-	-	(9,420)	3,154,817
Other	139,524	35,123	241	3,800	-	-	-	1	27,974	4,628	(387,564)	347,249
Net assets released from restrictions used for operations	6,464	-	-	-	-	-	-	-	-	3,270	-	10,635
Total unrestricted revenue, gains, and other support	484,335	63,754	241	108,934	1,224,692	-	1,939,545	6,847	27,974	7,898	(451,128)	6,612,207
Expenses												
Salaries and wages	113,944	42,008	931	55,434	23,261	-	26,897	3,774	-	2,238	(130,686)	1,411,517
Employee benefits and payroll taxes	21,198	5,701	233	11,649	6,061	-	5,356	656	-	293	(40,584)	276,686
Supplies	146,680	2,163	3	26,473	942	-	903	547	-	267	654	777,603
Purchased services and other	162,989	25,984	2,300	15,026	38,939	-	155,891	933	27,974	8,434	(199,583)	1,034,900
Medical claims expense	-	-	-	-	1,128,177	-	1,707,068	-	-	-	(54,143)	2,781,102
Depreciation and amortization	11,781	2,442	-	1,448	1,812	-	8,360	161	-	261	(21,346)	172,812
Interest expense	2,061	292	-	90	108	-	10,470	-	-	-	(5,440)	56,458
Total expenses	458,653	78,590	3,467	110,120	1,199,300	-	1,914,945	6,071	27,974	11,493	(451,128)	6,511,078
Operating Income (Loss)	25,682	(14,836)	(3,226)	(1,186)	25,392	-	24,600	776	-	(3,595)	-	101,129
Nonoperating Income (Loss)												
Investment income (loss)	3,716	(107)	63	1,307	18,090	-	10,731	813	1,731	1,398	-	68,064
Change in interest rate swap agreements	-	-	-	-	-	-	-	-	-	-	-	16,283
Other components of net periodic pension cost	-	(50)	-	(106)	(46)	-	-	-	-	-	-	(8,945)
Pension settlement costs	-	(20,195)	-	(5,325)	(1,701)	-	-	-	-	-	-	(627,184)
Change in unrealized investment gains	3,012	2	-	2,113	5,556	-	2,146	3,722	2,331	5,934	-	176,410
Other	-	-	-	-	-	-	-	-	-	14	-	(4,254)
Total nonoperating income (loss)	6,728	(20,350)	63	(2,011)	21,899	-	12,877	4,535	4,062	7,346	-	(379,626)
Excess of Revenue Over (Under) Expenses	32,410	(35,186)	(3,163)	(3,197)	47,291	-	37,477	5,311	4,062	3,751	-	(278,497)
Net Assets Transferred (to) from Affiliate	(4,530)	14,124	-	(207)	1,701	(8,531)	6,830	-	-	(14,233)	-	-
Loss on Discontinued Operations	-	-	-	-	-	-	-	-	-	-	-	(197,230)
Other Changes in Net Assets	-	-	-	-	-	-	-	-	-	(543)	-	(340)
Pension-related Changes Other Than Net Periodic Benefit Cost	-	20,322	-	5,352	-	1,569	-	-	-	-	-	622,363
Net Assets Released from Restrictions	563	-	-	-	-	-	-	-	-	12,722	-	13,536
(Decrease) Increase in Net Assets without Donor Restrictions	**$ 28,443**	**$ (740)**	**$ (3,163)**	**$ 1,948**	**$ 48,992**	**$ (6,962)**	**$ 44,307**	**$ 5,311**	**$ 4,062**	**$ 1,697**	**$ -**	**$ 159,832**

Consolidating Balance Sheet - Credit Group

September 30, 2023
(in thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Assets				
Current Assets				
Cash and cash equivalents	$ 58,362	$ 651,592	$ -	$ 709,954
Accounts receivable - Net	292,180	25,486	(4,077)	313,589
Due from related parties	286,630	10,720	(297,350)	-
Health care insurance receivables	-	435,853	-	435,853
Third-party payor settlements receivable	3,237	100	(3,337)	-
Assets limited as to use	1,000	15,471	-	16,471
Other current assets	182,620	70,327	(4,311)	248,636
Total current assets	824,029	1,209,549	(309,075)	1,724,503
Investments - Including internally designated	1,439,634	348,988	-	1,788,622
Other Assets	309,905	199,312	(14,593)	494,624
Property and Equipment - Net	1,813,918	63,570	-	1,877,488
Right-of-use Operating Lease Assets	108,804	29,038	-	137,842
Goodwill	17,870	39,749	-	57,619
Intangible Assets	-	81,122	-	81,122
Fair Value of Interest Rate Swap Agreements	301	-	-	301
Total assets	**$ 4,514,461**	**$ 1,971,328**	**$ (323,668)**	**$ 6,162,121**
Liabilities and Net Assets				
Current Liabilities				
Due to related parties	$ -	$ 298,522	$ (298,522)	$ -
Accounts payable	224,563	196,206	(2,903)	417,866
Medical and other claims payable	-	307,188	-	307,188
Current portion of long-term debt	25,926	1,581	-	27,507
Current portion of lease liabilities - Operating	12,259	5,807	-	18,066
Third-party payor settlements payable	63,183	6,940	(3,337)	66,786
Accrued liabilities and other	187,066	254,591	-	441,657
Total current liabilities	512,997	1,070,835	(304,762)	1,279,070
Long-term Debt - Net of current portion	1,679,907	3,551	-	1,683,458
Lease Liabilities - Operating	98,211	24,322	-	122,533
Fair Value of Interest Rate Swap Agreements	7,974	-	-	7,974
Other Liabilities	125,198	166,830	(14,171)	277,857
Total liabilities	2,424,287	1,265,538	(318,933)	3,370,892
Net Assets				
Without donor restrictions	1,992,156	657,781	(4,735)	2,645,202
With donor restrictions	98,018	48,009	-	146,027
Total net assets	2,090,174	705,790	(4,735)	2,791,229
Total liabilities and net assets	**$ 4,514,461**	**$ 1,971,328**	**$ (323,668)**	**$ 6,162,121**

McLaren Health Care Corporation and Subsidiaries

Consolidating Statement of Operations - Credit Group

Year Ended September 30, 2023
(in thousands)

	McLaren Credit Group	Non-Credit Group Members	Eliminating Entries	Total
Unrestricted Revenue, Gains, and Other Support				
Patient service revenue	$ 2,902,386	$ 251,264	$ (54,144)	$ 3,099,506
Premium revenue	-	3,164,237	(9,420)	3,154,817
Other	581,878	77,975	(312,604)	347,249
Net assets released from restrictions used for operations	7,746	2,889	-	10,635
Total unrestricted revenue, gains, and other support	3,492,010	3,496,365	(376,168)	6,612,207
Expenses				
Salaries and wages	1,299,955	217,151	(105,589)	1,411,517
Employee benefits and payroll taxes	269,428	41,716	(34,458)	276,686
Supplies	732,681	44,391	531	777,603
Purchased services and other	893,275	302,468	(160,843)	1,034,900
Medical claims expense	-	2,835,245	(54,143)	2,781,102
Depreciation and amortization	171,234	18,740	(17,162)	172,812
Interest expense	49,641	11,321	(4,504)	56,458
Total expenses	3,416,214	3,471,032	(376,168)	6,511,078
Operating Income	75,796	25,333	-	101,129
Nonoperating Income (Loss)				
Investment income	32,973	35,091	-	68,064
Change in interest rate swap agreements	16,283	-	-	16,283
Other components of net periodic pension cost	(8,736)	(209)	-	(8,945)
Pension settlement costs	(599,963)	(27,221)	-	(627,184)
Change in unrealized investment losses	156,208	20,202	-	176,410
Other	(4,268)	14	-	(4,254)
Total nonoperating (loss) income	(407,503)	27,877	-	(379,626)
Excess of Revenue (Under) Over Expenses	(331,707)	53,210	-	(278,497)
Net Assets Transferred (to) from Affiliate	(164,353)	164,353	-	-
Loss on Discontinued Operations	-	(197,230)	-	(197,230)
Other Changes in Net Assets	127	(467)	-	(340)
Pension-related Changes Other Than Net Periodic Benefit Cost	602,657	19,706	-	622,363
Net Assets Released from Restrictions	814	12,722	-	13,536
Increase in Net Assets without Donor Restrictions	**$ 107,538**	**$ 52,294**	**$ -**	**$ 159,832**

McLaren Health Care Corporation and Subsidiaries

Federal Awards Supplemental Information

September 30, 2023

Contents

Independent Auditor's Reports	
Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*	2-3
Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance	4-6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9-10

Plante & Moran, PLLC
Suite 300
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.459.3594
plantemoran.com

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

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 year ended September 30, 2023 and have issued our report thereon dated January 8, 2024, which contained an unmodified opinion on those consolidated financial statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. We have not performed any procedures with respect to the audited consolidated financial statements subsequent to January 8, 2024.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

Plante & Moran, PLLC

June 24, 2024

Plante & Moran, PLLC
Suite 300
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.459.3594
plantemoran.com

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Board of Directors
McLaren Health Care Corporation and Subsidiaries

We have audited, 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, the consolidated financial statements of McLaren Health Care Corporation and Subsidiaries (the "Corporation"), which comprise the consolidated balance sheet as of September 30, 2023 and the related consolidated statements of operations, changes in net assets, and cash flows for the year then ended, and the related notes to the consolidated financial statements and have issued our report thereon dated January 8, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the consolidated financial statements, we considered the Corporation's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Corporation's consolidated financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Board of Directors
McLaren Health Care Corporation and Subsidiaries

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Corporation's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

January 8, 2024

Plante & Moran, PLLC
Suite 300
634 Front Avenue N.W.
Grand Rapids, MI 49504
Tel: 616.774.8221
Fax: 616.459.3594
plantemoran.com

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Independent Auditor's Report

To the Board of Directors
McLaren Health Care Corporation and Subsidiaries

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited McLaren Health Care Corporation and Subsidiaries' (the "Corporation") compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of the Corporation's major federal programs for the year ended September 30, 2023. The Corporation's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Corporation complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of the major federal programs for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor’s Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Corporation and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Corporation's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Corporation's federal programs.

To the Board of Directors
McLaren Health Care Corporation and Subsidiaries

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Corporation's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Corporation's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Corporation's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Corporation's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Board of Directors
McLaren Health Care Corporation and Subsidiaries

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

June 24, 2024

Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Federal Agency/Pass-through Agency/Program Title	Assistance Listing Number	Award IDs and Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
Clusters - Research and Development Cluster - U.S. Department of Health and Human Services - National Institute of Health - Passed through The University of Cincinnati - Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1U01NS095869, 1U01NS110728, 1U01NS100699, 1U01NS102289, 1U01NS099043, 1U01NS117450, 1U01NS106513	$ -	$ 19,601
Other federal awards:				
U.S. Department of the Treasury - Passed through Michigan Hospital Association - COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	None	-	5,425,000
U.S. Department of Health and Human Services:				
COVID-19 - Rural Health Research Centers	93.155	N/A	-	773,559
Congressional Directives	93.493	CE146616	-	500,000
COVID-19 - Provider Relief Fund and American Rescue Plan Rural Distribution	93.498	N/A	-	36,009,915
Opioid STR	93.788	SOR2023135	-	85,867
Passed through The Hemophilia Foundation of Michigan:				
Blood Disorder Program - Prevention, Surveillance, and Research	93.080	NU27DD000020	-	17,619
Maternal and Child Health Federal Consolidated Programs	93.110	H30MC24047	-	21,017
Total passed through The Hemophilia Foundation of Michigan			-	38,636
Health Resources and Services Administration:				
Nursing Workforce Diversity	93.178	1D19HP42032	-	27,009
Advanced Nursing Education Grant Program	93.247	1T94HP32899	-	73,982
Total passed through Health Resources and Services Administration			-	100,991
Total U.S. Department of Health and Human Services			-	37,508,968
Department of Homeland Security - Passed through the Michigan Department of State Police - COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	698445, 688583, 698808, 698755, 158569, 675064, 686843, 679451, 687258, 699146,698731, 687357, 699060, 698603, 698559, 699675, 699200, 688585	-	8,865,351
Passed through the Ohio Emergency Management Agency - COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036	688652	-	649,425
Total Department of Homeland Security			-	9,514,776
Total expenditures			**$ -**	**$ 52,468,345**

Notes to Schedule of Expenditures of Federal Awards

Year Ended September 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of McLaren Health Care Corporation and Subsidiaries (the "Corporation") under programs of the federal government for the year ended September 30, 2023. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Corporation, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Corporation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the Schedule are reported on the same basis of accounting as the consolidated financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement, except for expenditures related to Assistance Listing Number (ALN) 93.498, *Provider Relief Fund and American Rescue Plan Rural Distribution* (PRF). PRF does not apply the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, but rather applies the U.S. Department of Health and Human Services' (HHS) guidance and frequently asked questions, as outlined in the Compliance Supplement. For the PRF Program, HHS has indicated that the amounts on the Schedule should be reported in correspondence with reporting requirements of the HHS PRF Reporting Portal. Payments from HHS for PRF are assigned to a period based upon the date each PRF payment was received. Each period has a specific period of availability and timing of reporting requirements. The pass-through entity identifying numbers are presented where available.

The Corporation has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Note 3 - Disaster Grants Public Assistance Program (ALN 97.036)

Included in the Schedule for the year ended September 30, 2023 is $9,514,776 of expenditures incurred, under the COVID-19 Disaster Grants - Public Assistance Grant (ALN 97.036), in a previous fiscal year. The project worksheet for these expenditures was approved in the current fiscal year, and these expenditures have been reported in the current fiscal year in accordance with the reporting requirements outlined in the 2023 Compliance Supplement.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended September 30, 2023

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Noncompliance material to financial statements noted? ____ Yes __X__ None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ____ Yes __X__ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ____ Yes __X__ None reported

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? ____ Yes __X__ No

Identification of major programs:

ALN	Name of Federal Program or Cluster	Opinion
93.498	COVID-19: Provider Relief Fund and American Rescue Plan Rural Distribution	Unmodified
21.027	COVID-19: Coronavirus State and Local Fiscal Recovery Funds	Unmodified
97.036	COVID-19: Disaster Grants - Public Assistance (Presidentially Declared Disasters)	Unmodified

Dollar threshold used to distinguish between type A and type B programs: $1,574,050

Auditee qualified as low-risk auditee? ____ Yes __X__ No

Section II - Financial Statement Audit Findings

Reference Number	Finding
Current Year	None

Section III - Federal Program Audit Findings

Reference Number	Finding
Current Year	None

McLaren HEALTH CARE

McLaren Health Care Corporation and Subsidiaries

September 30, 2023

Summary Schedule of Prior Audit Findings

Prior Year Finding Number:
2022-001

Fiscal Year in Which the Finding Initially Occurred:
2022

Federal Program, Assistance Listing Number and Name:
93.498, U.S. Department of Health and Human Services, COVID-19: Provider Relief Fund and American Rescue Plan Rural Distribution (PRF)

Original Finding Description:
The Corporation's controls in place for reporting submissions did not identify that guidelines were not followed related to the reporting of expenses.

Status/Partial Corrective Action (as applicable):
Fully corrected.

Planned Corrective Action:
N/A