



QUARTERLY DISCLOSURE STATEMENT (UNAUDITED)

For the Period Ended March 31, 2020

This quarterly statement is being filed in accordance with the disclosure and compliance obligation related to the issuance of the series listed below.

Issuer	Bonds	Series
North Carolina Medical Care Commission	Hospital Revenue Refunding Bonds (Fixed)	2010
	Health Care Facilities Revenue Bonds (Fixed)	2012A
	Health Care Facilities Revenue Refunding Bonds (Fixed)	2012B
	Health Care Facilities Revenue Bonds (DP)	2012D
	Health Care Facilities Revenue Bonds (Fixed)	2019A
	Health Care Facilities Revenue Bonds (Put)	2019B
	Health Care Facilities Revenue Bonds (Put)	2019C
Wake Forest University Baptist Medical Center	Taxable Bonds (Fixed)	2016
Public Finance Authority	Revenue Refunding Bonds (DP)	2020

QUARTERLY DISCLOSURE
March 31, 2020

Wake Forest Baptist is an integrated clinical, research and academic enterprise that includes a tertiary and quaternary acute care regional referral center with four additional hospital facilities totaling more than 1,500 acute care, rehab and psych beds, more than 1,500 employed physicians and major teaching and research operations.

SYSTEM FINANCIAL HIGHLIGHTS

Comments below are based on combined results of Wake Forest Baptist Health (“Wake Forest Baptist” or “WFB”) (including those entities not obligated on the Bonds) for the quarter ending March 31, 2020. As of March 31, 2020, the Combined Group generated in the aggregate 92.8% of Wake Forest Baptist’s unrestricted revenue, and the Combined Group owned in the aggregate 94.3% of Wake Forest Baptist’s unrestricted net assets.

Through the third quarter of fiscal year 2020, Wake Forest Baptist reported a loss in unrestricted net assets of \$80.7 million. This is comprised of operating margin of (\$1.3) million (0.0% operating margin) and net non-operating losses of \$79.4 million.

Operating Results

Operating deficit through the third quarter was (\$1.3) million, or 0.0%, compared to prior year of \$7.4 million, or 0.3%. Year to date operating EBIDA Margin was \$152.9 million, or 5.6%, compared to prior year of \$145.1 million, or 5.8%.

Net patient service revenue was \$2.4 billion fiscal year-to-date compared to \$2.2 billion in prior year, an increase of 10.2%. Other revenues totaled \$317.1 million through March, an increase from \$306.1 million through the third quarter prior year. In total, revenue increased by 9.4% over last year.

Through March, salaries and benefits increased \$123.3 million or 9.1% from prior year. When compared against net revenue growth, salaries and benefits improved from 54.0% prior year to 53.9% year to date March.

Purchased services were \$330.7 million through third quarter, increasing by \$19.7 million from the prior year.

Clinical and laboratory supplies increased 12.2% over prior year and increased from 22.0% of net patient service revenue to 22.4% through the third quarter.

Depreciation and amortization increased \$16.0 million to \$127.3 million through March, due primarily to increased capital expenditures placed in service.

Non-operating Results

Wake Forest Baptist reported net non-operating losses of \$79.4 million through the third quarter, primarily due to net investment losses coupled with pension and postretirement costs.

QUARTERLY DISCLOSURE
March 31, 2020

FINANCIAL RATIOS – COMBINED GROUP

The following statistics and ratio calculations are based on numbers for the **Combined Group** (i.e., Obligated Group Members and Designated Members) and do not include the activity or financial impact of non-designated members such as WFB – Wilkes Medical Center, and Wake Forest Health Network, LLC (the entity formerly known as Cornerstone Healthcare, LLC). A breakout of the Combined Group balance sheet and income statement can be found on pages FS-19 to FS-21 of the attached financial statements.

	03/31/2020	03/31/2019
Unrestricted Cash and Investments (\$M)	\$ 1,275,490	\$ 1,291,922
Unrestricted Cash-to-LT Debt	125%	122%
Days Cash on Hand	146	162
Debt-to-Capitalization	39.6%	39.4%
Historic Debt Service Coverage <i>(Trailing Twelve Months)</i>	3.4	2.7

UTILIZATION STATISTICS – COMBINED GROUP

	Nine Months Ended		% Chg from Prior Year
	<u>03/31/2020</u>	<u>03/31/2019</u>	
Case Mix Adjusted Equivalent Discharges	207,179	186,972	10.8%
Patient Days	251,383	239,461	5.0%
Inpatient Admissions	48,043	42,986	11.8%
Average Length of Stay	5.23	5.57	-6.1%
Average Length of Stay (Case Mix Adjusted)	2.81	2.93	-4.0%
Inpatient Operating Room Cases	15,047	14,147	6.4%
Outpatient Operating Room Cases	26,358	24,606	7.1%
Total Operating Room Cases	41,405	38,753	6.8%
Emergency Department Visits	155,236	146,654	5.9%
Case Mix Index <i>(all payors using Medicare weights)</i>	1.8611	1.8983	-2.0%
RVUs	5,819,076	5,433,488	7.1%
Outpatient Visits	1,312,372	1,223,288	7.3%

QUARTERLY DISCLOSURE
March 31, 2020

SUBSEQUENT EVENTS

On March 13, 2020, President Trump declared a national emergency, and a variety of federal, state and local government efforts were initiated, in response to the Coronavirus (COVID-19) pandemic. Health systems around the country face unprecedented financial challenges relating to the ongoing impact of COVID-19. On March 18, 2020, Wake Forest Baptist, following the guidelines from the U.S. Surgeon General and the American College of Surgeons, suspended all non-essential surgeries, procedures and ambulatory appointments to prepare for, and respond to the possibility of increasing cases of, COVID-19. This resulted in a reduction in patient volumes and a commensurate reduction in monthly net patient revenues, a portion of which was realized in the third fiscal quarter.

Subsequent to the close of the third fiscal quarter, Wake Forest Baptist received federal relief under the Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") funding for hospitals and providers and received advanced payments for services from the Centers for Medicare and Medicaid ("CMS"). In early May, Wake Forest Baptist began a phased reintegration to open surgical locations and ambulatory clinics and provide services that had been suspended. Wake Forest Baptist has taken internal steps to mitigate losses through labor expense reductions and non-labor variable spend. The accompanying consolidated financial statements as of and for the nine months ended March 31, 2020, do not reflect these subsequent events.



WAKE FOREST BAPTIST

**Combined Financial Statements for
North Carolina Baptist Hospital and Affiliates,
Wake Forest University Health Sciences and Affiliates, and
Wake Forest University Baptist Medical Center and Affiliates**

**For the Period Ended March 31, 2020
(Unaudited)**

WAKE FOREST BAPTIST
Combined Financial Statements
Period Ended March 31, 2020
(Unaudited)

Table of Contents

Combined Financial Statements

Combined Balance Sheets	FS-1
Combined Statements of Operations and Changes in Net Assets	FS-2
Combined Statements of Cash Flows	FS-4
Selected Notes to Combined Financial Statements.....	FS-5

Other Financial Information

Combining Balance Sheet Information	FS-19
Combining Statement of Operations and Changes in Net Assets Information	FS-20

WAKE FOREST BAPTIST

Combined Balance Sheets

Dollars in thousands.

	(Unaudited) March 31, 2020	(Audited) June 30, 2019
Assets		
Current assets:		
Cash and cash equivalents	\$ 187,121	\$ 237,455
Patient receivables, net	359,846	353,566
Accounts, grants, and notes receivable, net	129,944	138,038
Other current assets	100,633	106,622
Total current assets	<u>777,544</u>	<u>835,681</u>
Accounts, grants, and notes receivable, net, long-term	23,208	23,334
Investments and assets whose use is limited	1,467,910	1,565,022
Property and equipment, net	1,348,635	1,408,318
Goodwill	94,025	94,025
Other assets	<u>276,784</u>	<u>23,041</u>
 Total assets	 <u>\$ 3,988,106</u>	 <u>\$ 3,949,421</u>
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accruals	\$ 134,455	\$ 157,012
Accrued employee compensation	212,446	214,220
Estimated third-party payer settlements, net	17,101	64,356
Deferred revenue	50,387	57,899
Current portion of long-term debt	87,853	101,879
Other current liabilities	<u>104,611</u>	<u>68,071</u>
Total current liabilities	606,853	663,437
Notes payable, finance leases, and line of credit, net of current portion	75,329	79,246
Bonds payable, net of current portion	885,294	891,948
Retirement benefits	133,075	126,125
Other long-term liabilities	<u>343,478</u>	<u>158,177</u>
 Total liabilities	 <u>2,044,029</u>	 <u>1,918,933</u>
Net assets:		
Without donor restrictions:		
Wake Forest Baptist	1,648,707	1,729,415
Noncontrolling interest in affiliates	<u>10,958</u>	<u>10,232</u>
Total net assets without donor restrictions	1,659,665	1,739,647
With donor restrictions	<u>284,412</u>	<u>290,841</u>
 Total net assets	 <u>1,944,077</u>	 <u>2,030,488</u>
 Total liabilities and net assets	 <u>\$ 3,988,106</u>	 <u>\$ 3,949,421</u>

WAKE FOREST BAPTIST

Combined Statements of Operations and Changes in Net Assets (Unaudited)

Dollars in thousands.

	Period Ended March 31,	
	2020	2019
Changes in net assets without donor restrictions:		
Operating revenues and support		
Net patient service revenue	\$ 2,418,466	\$ 2,193,678
Gifts, grants, and contracts	151,006	151,394
Net student tuition and fees	29,137	26,734
Investment return designated for current operations	18,440	19,634
Other sources	76,353	82,490
Net assets released from restrictions	42,199	25,867
	<u>2,735,601</u>	<u>2,499,797</u>
Operating expenses		
Salaries and wages	1,206,153	1,104,000
Employee benefits	268,023	246,872
Purchased services	330,692	310,945
Clinical and laboratory supplies	542,397	483,587
Other operating expenses	235,481	209,270
Depreciation and amortization	127,328	111,348
Financing costs	26,850	26,400
	<u>2,736,924</u>	<u>2,492,422</u>
Operating (deficiency) excess of revenues and gains over expenses and losses	(1,323)	7,375
Nonoperating gains (losses)		
Gains from equity-method affiliates	2,386	2,971
Net investment (losses) gains	(71,242)	11,660
Net losses on interest rate swap valuation	(1,372)	(471)
Contribution from business combination, net	-	(27,167)
Pension and postretirement costs	(7,027)	(5,002)
Other	(814)	2,472
	<u>(79,392)</u>	<u>(8,162)</u>
Deficiency of revenues and gains over expenses and losses before noncontrolling interest	\$ (79,392)	\$ (8,162)

WAKE FOREST BAPTIST

Combined Statements of Operations and Changes in Net Assets (Unaudited), continued

Dollars in thousands.

	Period Ended March 31,	
	2020	2019
(Deficiency) of revenues and gains over expenses and losses before noncontrolling interest	\$ (79,392)	\$ (8,162)
Noncontrolling interest	(726)	(2,266)
(Deficiency) of revenues and gains over expenses and losses attributable to Wake Forest Baptist	(80,118)	(10,428)
Pension and other postretirement net adjustments	(49)	(24)
Other	(541)	(361)
Change in net assets without donor restrictions	(80,708)	(10,813)
Changes in net assets with donor restrictions:		
Contributions	46,540	25,298
Investment return in excess of amounts designated for current operations	6,035	5,901
Net assets released from restrictions	(42,199)	(25,867)
Net investment losses	(16,805)	(4,119)
Contribution from business combination, net	-	26,626
Change in net assets with donor restrictions	(6,429)	27,839
Change in total net assets attributable to Wake Forest Baptist	(87,137)	17,026
Net assets attributable to Wake Forest Baptist at beginning of period	2,020,256	1,996,579
Net assets attributable to Wake Forest Baptist at end of period	1,933,119	2,013,605
Change in net assets attributable to noncontrolling interest	726	2,266
Net assets attributable to noncontrolling interest at beginning of period	10,232	7,960
Total net assets at end of period	\$ 1,944,077	\$ 2,023,831

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

	Period Ended March 31,	
	2020	2019
Operating activities and gains and losses		
Change in net assets	\$ (86,411)	\$ 19,292
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	127,328	111,348
Amortization of bond premium	(1,092)	(859)
Contribution from business combination, net	-	541
Gains from equity-method affiliates	(2,386)	(2,971)
Net investment losses (gains)	63,572	(33,076)
Losses in value of interest rate swaps, net	1,372	471
Gains on disposal of property and equipment	(119)	-
Contributions restricted for long-term investing	(6,403)	(3,202)
Changes in operating assets and liabilities:		
Patient receivables, net	(6,280)	(44,586)
Accounts, grants, and notes receivable, net	8,220	(893)
Other current assets	5,989	(4,556)
Other assets	(253,743)	18,367
Accounts payable and accruals	(22,557)	(104,675)
Accrued employee compensation	(1,774)	(26,311)
Estimated third-party payer settlements, net	(47,255)	(57,294)
Deferred revenues	(7,512)	5,025
Other current liabilities	36,540	30,854
Retirement benefits	6,950	3,825
Other long-term liabilities	205,229	27,258
Net cash provided by (used in) operating activities	<u>19,668</u>	<u>(61,442)</u>
Investing activities		
Net sales and purchases of investments	35,926	188,209
Acquisitions, net of cash acquired	(21,300)	(204,221)
Net additions to property and equipment	(67,440)	(142,332)
Net cash used in investing activities	<u>(52,814)</u>	<u>(158,344)</u>
Financing activities		
Proceeds from issuance of debt	-	271,672
Principal payments on debt	(20,468)	(92,456)
Payments on finance lease obligations	(3,123)	(3,544)
Contributions restricted for long-term investing	6,403	3,202
Net cash (used in) provided by financing activities	<u>(17,188)</u>	<u>178,874</u>
Decrease in cash and cash equivalents	(50,334)	(40,912)
Cash and cash equivalents at beginning of period	<u>237,455</u>	<u>190,951</u>
Cash and cash equivalents at end of period	<u>\$ 187,121</u>	<u>\$ 150,039</u>

1. Organization and Summary of Significant Accounting Policies

a. Description of the Organization

The combined financial statements of the entities collectively comprising Wake Forest Baptist (WFB) were prepared to comply with the terms of a Master Trust Indenture (MTI) as well as to present the entirety of WFB's financial position and results of operations under common management.

Wake Forest University Baptist Medical Center (WFUBMC), a North Carolina non-profit corporation was formed to act on behalf of Wake Forest University Health Sciences (WFUHS) and North Carolina Baptist Hospital (NCBH) in connection with facilities planning, informational technology services, insurance, payroll, fundraising, and budget formulation and review, directs the planning and supervision of numerous construction projects as well as the fundraising campaigns in connection therewith. Construction costs are paid in accordance with the respective occupancy percentages of the facilities. WFUHS and NCBH are both party to a land and facilities sharing agreement whereby WFUHS and NCBH independently hold title to certain land and facilities, as designated by the agreement. NCBH and Wake Forest University (WFU) are the members of WFUBMC. NCBH and WFUHS each have a 50% equity interest in WFUBMC.

Effective July 1, 2010, the Boards of WFUHS, NCBH, WFUBMC, and WFU approved the Medical Center Integration Agreement (the Integration Agreement or MCIA). The Integration Agreement allows for the leveraging of the combined resources of NCBH and WFUHS to fulfill a single mission: improve health and optimize performance of the combined organizations, while balancing patient care, education and research.

The Integration Agreement created an integrated academic medical center that combines clinical care, education and research under a single management and debt structure, collectively referred to as WFB, which is governed by the Board of WFUBMC. One of the nation's preeminent academic medical centers, WFB is an integrated health care system that operates over 50 subsidiaries. It provides a continuum of care that includes primary care centers, outpatient rehabilitation centers and dialysis centers. To ensure alignment across the organization, NCBH and WFUHS unrestricted operating income is shared equally between the entities. Although the entities will be operated to maximize value at the total WFB level, revenues, expenses, existing and new assets and debt will continue to be accounted for generally at the individual entity levels.

Effective March 26, 2011, NCBH, WFUHS, and WFUBMC formed a single obligated group (Obligated Group) under the existing MTI. The separate WFUHS master trust indenture was discharged and new obligations were issued to WFUHS obligation holders under the MTI. In addition, substantially all of the subsidiaries of NCBH, WFUHS, and WFUBMC were included in the single credit group (Combined Group) as Designated Members. Under the new credit structure, each member of the Obligated Group is jointly and severally liable for all debt and other obligations that are evidenced and secured under the MTI.

WAKE FOREST BAPTIST

Selected Notes to Combined Financial Statements

March 31, 2020

Dollars in thousands.

NCBH is a private, non-profit institution dedicated to the provision of healthcare. NCBH, which is based in Winston-Salem, North Carolina, consists of entities that provide services directly to patients and entities that support ancillary functions. NCBH consists of North Carolina Baptist Hospital; CareNet, Inc.; North Carolina Baptist Hospital Foundation; The Nursing Center at Oak Summit; Clemmons Medical Park LLC; and Wake WellIQ, LLC. NCBH owns a 50% equity interest in MedCost, LLC, a preferred provider organization which through the shared ownership agreements is accounted for as equity-method investments in the combined financial statements. NCBH owns a 69.95% interest in Cornerstone Health Enablement Strategic Solutions, LLC (CHESS), which is included in the combined financial statements.

WFUHS, a wholly owned affiliate of WFU, based in Winston-Salem, North Carolina, is a private, coeducational, not for profit institution of higher education and research dedicated to medical and health education, healthcare, and biomedical research. WFUHS' consolidated financial statements include the financial statements of WFUHS and its wholly owned affiliates, which are The Dialysis Centers of Wake Forest University; Wake Forest Innovation Quarter Development Co.; Wake Forest Innovation Quarter CDC; Wake Forest Innovation Quarter Management Co.; WFIQ Holdings, LLC; WFIQ Holdings II, LLC; WFIQ Holdings III, LLC; Seed Stage Associates, LLC; Park IMP 1, LLC; BRF – A 1, LLC; BRF Deck 1, LLC; BRF – A 1a, LLC; Childress Institute for Pediatric Trauma; North District Owners Association; RegenMed Development Organization; and Wake Forest Emergency Providers. WFUHS owns an 80% equity interest in Wake Forest Ambulatory Ventures, LLC, a 33.33% equity interest in Carolina Behavioral Health, LLC, a 15.67% equity interest in Elemance, LLC, a 5.54% interest in A.M. Pappas Life Science Ventures V., LP, and a 99% equity interest in Wake Forest Technology Development Program, LP.

WFUHS and NCBH each own a 50% equity interest in NCBH Outpatient Endoscopy Center, LLC and The Medical Foundation of WFUHS & NCBH, and each own a 37.5% equity interest in Wake Forest Baptist Imaging, LLC. WFUHS and NCBH own a 67.1% and 17.8% equity interest, respectively, in Verger Fund II LLC (VFII). VFII was formed for the purpose of investing its members' assets in Verger Capital Fund LLC (Master Fund), which is managed by Verger Capital Management, LLC, a separate limited liability company organized and controlled by WFU.

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

WFUBMC is the sole member of Lexington Medical Center (LMC); Lexington Medical Center Foundation; Davie Medical Center (DMC); WRMC Hospital Operating Corporation (WMC); Northwest Community Care Network (NWCCN); FaithHealthInnovations, Inc.; Wake Forest Health Network, LLC (WFHN), previously known as Cornerstone Health Care, LLC; Wake Forest Healthcare Ventures, LLC; Wake Forest Emergency Providers (from April 2018 to May 2019); Wake Air Care, LLC; and WFBMC Technical Services, LLC. WFHN owns a 14.86% equity interest in CHES. NWCCN owns a 50% equity interest in Emtiro Health, LLC. On September 1, 2018, WFUBMC acquired High Point Regional Health, Inc. (HPMC), a non-profit health system based in High Point, North Carolina. HPMC consists of High Point Regional Health, Inc.; High Point Regional Health Foundation; High Point Health Care Ventures, Inc.; Premier Surgery Center, LLC; Regional Wellness, LLC; Regional Physicians, LLC; Premier Imaging, LLC; and High Point Physical Therapy, LLC. HPMC has a 90% equity interest in High Point Surgery Center, LLC and a 50% equity interest in Guilford Adult Health, Inc. Wake Forest Healthcare Ventures, LLC dissolved on January 17, 2020.

WFUBMC owns a 40% equity interest in Wake Forest Baptist Health Care at Home, LLC, a 10% equity interest in Assuring Affordable Quality Healthcare in NC, LLC, a 55.51% equity interest in MS Land Holding Co., LLC, a 49.9% equity interest in Brightbridge, LLC, a 14.8% equity interest in Dioko Health Ventures I, LP, a 50% equity interest in Forsyth Community PCC, LLC, a 50% equity interest in Socius Health Solutions, LLC, an 8.33% equity interest in Provider Led Patient Center Care, LLC, a 50% equity interest in WELLO, LLC, a 50% equity interest in Alleghany Health, LLC, and a 19.46% equity interest in Academic Innovators Alliance, LLC.

b. Basis of Presentation

The combined financial statements for WFB have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (GAAP). In accordance with Financial Accounting Standards Board (FASB) accounting standards for consolidated and combined financial statements, the financial statements and related notes are presented as combined statements due to the Integration Agreement. All significant intercompany accounts and transactions have been eliminated in the combined financial statements.

Net assets and revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of WFB and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objectives of the organization.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations. Some donor restrictions are temporary in nature; those restrictions will be met by actions of WFB and/or by the passage of time. Other donor restrictions are perpetual in nature, where by the donor has stipulated the funds be maintained in perpetuity; generally, the donors of these assets permit WFB to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed restrictions. Donor-restricted contributions are reported as increases in net assets with donor restrictions. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases, respectively, in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions in the combined statements of operations and changes in net assets.

c. *Investments and Assets Limited as to Use*

Investments in debt and equity securities, inclusive of assets whose use is limited, are reported at fair value. Investments in joint ventures are accounted for using the equity method.

Gains, losses, and investment income are included in excess of revenues and gains over expenses and losses unless their use is restricted by donor or law.

Investments in alternative investments may include derivative products that are reported at fair value. The investments may individually expose WFB to securities lending, short sales, and trading in futures and forward contract options, and other derivative products. WFB's risk is limited to its carrying value of the instruments. These instruments can only be divested at specific times or based on specific triggering events.

WFB's split interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which WFB serves as trustee. Assets held in these trusts are stated at fair value and are included in investments and assets whose use is limited in the combined balance sheets. Contribution revenues are recognized at the dates the trusts are established. WFB records the change in value of split interest agreements according to the fair value of assets that are associated with each trust and recalculates the liability for the present value of annuity obligations. Any change in fair value is recognized in the combined statements of operations and changes in net assets.

WFB is the beneficiary of certain trusts and other assets held and administered by others. WFB's share of these assets is recorded at fair value as investments with carrying values adjusted annually for changes in fair value.

d. Leases

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases under previous GAAP which have terms of greater than 12 months. This ASU defines a lease as a contract, or part of a contract, that conveys the right to control the use of identified property, plant, or equipment (an identified asset) for a period of time in exchange for consideration. This ASU retains a distinction between finance leases and operating leases. The result of retaining a distinction between finance leases and operating leases in the statement of operations and the statement of cash flows is largely unchanged from previous GAAP. ASU 2016-02 is effective for fiscal year 2020. As a result of adopting the ASU, WFB has recorded an increase in right-of-use assets in the other assets financial statement line item and an increase in lease liabilities in the other current liabilities and other long-term liabilities financial statement line items in the combined balance sheets.

e. Revenue Recognition

WFB's revenue recognition policies are:

Net Patient Service Revenue – Net patient service revenue is reported at the estimated net realizable amounts due from patients, third party payers, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third party payers and contractual adjustments. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and will be adjusted in future periods as interim or final settlements are determined.

Charity Care – WFB cares for patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. WFB does not pursue collection of amounts determined to qualify as charity care, and accordingly, such amounts are not reported in net patient service revenue.

Gifts, Grants and Contracts – Revenues under grants and contracts with private and governmental sponsoring organizations are deferred until expenses are incurred. The revenues include recoveries of direct and indirect costs, which are generally determined as a negotiated or agreed upon percentage of direct costs with certain exclusions.

Net Student Tuition and Fees – Net student tuition and fees are recorded as revenue during the year that the related services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by WFB is reflected as a reduction of student tuition and fee revenue. Student aid does not include payments made to students for services rendered to WFB.

f. Contributions

Contributions, including unconditional promises to give, are recognized in the period the contributions or promise is made. Contributions of assets other than cash are recorded at their estimated fair value. Unconditional promises expected to be collected in future years are recorded at the present value of expected future cash flows discounted at an appropriate discount rate commensurate with the risks involved. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met.

g. Excess of Revenues and Gains Over Expenses and Losses

The combined statements of operations and changes in net assets include excess of revenues and gains over expenses and losses. Changes in net assets without donor restrictions that are excluded from excess of revenue and gains over expenses and losses, consistent with industry practice, include transfers of assets to and from affiliates for other than goods and services, change in pension and postretirement plan liabilities, and capital contributions.

WFB differentiates its operating activities through the use of operating excess of revenues and support over expenses as an intermediate measure of performance. Items that management does not consider to be components of WFB's operating activities are excluded from operating excess and reported as nonoperating items in the combined statements of operations. These include investment returns (realized and unrealized net gains and losses on investments, interest, and dividends) in excess of or less than WFB's approved endowment distribution, other than designated returns on assets held for self-insurance purposes; net gains and losses on interest rate swaps; losses on extinguishment of debt; gains and losses from equity method affiliates; and other incidental transactions.

h. Use of Estimates

WFB prepares its combined financial statements in accordance with GAAP, which requires management to make estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions include the carrying amount of land, buildings, and equipment, valuation allowances for receivables, environmental liabilities, fair value of investments and assets whose use is limited, obligations related to employee benefits, third party payer settlements, and the ultimate cost of asserted and unasserted medical malpractice claims. Actual results could differ from those estimates.

i. Limitations on Disclosures in Interim Reporting

Many disclosures ordinarily included in financial statements prepared in accordance with GAAP have been omitted. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the organizations assets, liabilities, net assets, revenues, and expenses. Accordingly, the financial statements are not designed for those who are not informed about such matters.

WAKE FOREST BAPTIST

Selected Notes to Combined Financial Statements

March 31, 2020

Dollars in thousands.

j. **Reclassifications**

Certain reclassifications have been made to the financial statement presentation of the period ended March 31, 2019 to correspond to the current year's format. Net assets are unchanged due to these reclassifications.

2. Investments and Assets Whose Use is Limited

Investments and assets whose use is limited consist of the following:

	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Short-term investments ^(a)	\$ 115,837	\$ 87,734
Absolute return ^(b)	519,223	556,200
Commodities ^(c)	8,704	14,933
Fixed income ^(d)	300,543	304,775
Private equity ^(e)	609	626
Public equity ^(f)	333,676	409,735
Real estate ^(g)	5,602	7,929
Pooled investments held at WFU ^(h)	2,453	2,870
Beneficial interest in perpetual trusts and assets held by others ⁽ⁱ⁾	20,369	20,833
Investments in equity-method affiliates ^(j)	58,799	53,493
Other ^(k)	102,095	105,894
Total investments and assets whose use is limited	<u>\$ 1,467,910</u>	<u>\$ 1,565,022</u>

- (a) **Short-term investments** – includes cash and cash equivalents and money market mutual funds.
- (b) **Absolute return** – includes investments in hedge funds and hedge fund-of-funds that invest both long and short on a global basis primarily in a wide range of securities and other instruments, including equity securities (common stocks), credit securities (both investment grade and non-investment grade), commodities, private equity, currencies, futures contracts, options, and other derivative instruments. This class also includes absolute return mutual funds and exchange traded funds. The investment objective of this asset class is to produce attractive long-term risk-adjusted returns with low correlation to traditional asset classes.
- (c) **Commodities** – includes investments in hedge funds and hedge fund-of-funds that invest in a wide range of commodities, securities, and financial instruments with a focus on commodities markets. This class also includes commodity (i.e., precious metals, industrial materials and energy) mutual funds and exchange traded funds. The investment objective of this class is to produce attractive long-term risk-adjusted returns in excess of traditional commodity index exposure.

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

- (d) **Fixed income** – includes corporate bonds, mortgage-backed securities, asset-backed securities, mutual funds, exchange traded funds, and other fixed income securities. This class also includes investments in hedge funds and hedge fund-of-funds that invest in fixed income securities.
- (e) **Private equity** – includes various illiquid venture capital investments.
- (f) **Public equity** – includes investments primarily in U.S. and non-U.S. (including emerging markets) common stocks, mutual funds, and exchange traded funds. This class also includes investments in hedge funds and hedge fund-of-funds that invest on both a long and short basis in global equity markets. The investment objective for this class is capital appreciation over the long term.
- (g) **Real estate** – includes real estate mutual funds and exchange traded funds.
- (h) **Pooled investments held at WFU** – includes primarily alternative investment vehicles and other investment interests.
- (i) **Beneficial interest in perpetual trusts and assets held by others** – includes trusts and certain other assets held and administered by others for which WFB has an unconditional right to receive all or a portion of the specified cash flows.
- (j) **Investments in equity-method affiliates** – includes various equity-method affiliates (generally, companies in which WFB has an equity-method interest ranging from 20% to 50%).
- (k) **Other** – includes other miscellaneous investments.

Investment Return

Total investment return included in change in net assets without donor restrictions in the accompanying combined statements of operations and changes in net assets comprises the following:

	Period Ended March 31,	
	2020	2019
Interest and dividend income	\$ 20,076	\$ 20,619
Net realized losses	(6,628)	(20,710)
Net unrealized (losses) gains	(66,250)	31,385
	<u>\$ (52,802)</u>	<u>\$ 31,294</u>

WAKE FOREST BAPTIST

Selected Notes to Combined Financial Statements

March 31, 2020

Dollars in thousands.

Total investment return is reflected in the accompanying combined statements of operations and changes in net assets is as follows:

	Period Ended March 31,	
	2020	2019
Operating:		
Investment return designated for current operations	\$ 18,440	\$ 19,634
Nonoperating:		
Net investment (losses) gains	(71,242)	11,660
Total investment return included in change in net assets without donor restrictions	(52,802)	31,294
With donor restrictions:		
Investment return in excess of amounts designated for current operations	6,035	(4,119)
Net investment (losses) gains	(16,805)	5,901
Total investment return included in change in net assets with donor restrictions	(10,770)	1,782
Total investment return	\$ (63,572)	\$ 33,076

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

Designations of investment and assets whose use is limited consist of the following at:

	March 31, 2020		
	Without donor restrictions	With donor restrictions	Total
Endowment funds	\$ 276,663	\$ 178,023	\$ 454,686
Funds designated for capital improvements	678,483	-	678,483
Funds designated for settlement of professional liability costs	12,839	-	12,839
Collateral for derivative agreements	5,330	-	5,330
Beneficial interests in perpetual trusts and assets held by others	-	20,369	20,369
Funds held under retirement and benefit plans	68,263	-	68,263
Bond proceeds held by trustee	124	-	124
Designated for restricted purposes	5,001	42,713	47,714
Assets whose use is limited	1,046,703	241,105	1,287,808
Other unrestricted investments			121,303
Investments in equity-method affiliates			58,799
Investments and assets whose use is limited			<u>\$ 1,467,910</u>

	June 30, 2019		
	Without donor restrictions	With donor restrictions	Total
Endowment funds	\$ 296,761	\$ 187,694	\$ 484,455
Funds designated for capital improvements	701,769	-	701,769
Funds designated for settlement of professional liability costs	31,825	-	31,825
Collateral for derivative agreements	4,070	-	4,070
Beneficial interests in perpetual trusts and assets held by others	-	20,833	20,833
Funds held under retirement and benefit plans	69,714	-	69,714
Bond proceeds held by trustee	14,279	-	14,279
Designated for restricted purposes	5,448	47,802	53,250
Assets whose use is limited	1,123,866	256,329	1,380,195
Other unrestricted investments			131,334
Investments in equity-method affiliates			53,493
Investments and assets whose use is limited			<u>\$ 1,565,022</u>

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

*Dollars in thousands.***3. Debt**

Debt consists of the following:

	March 31, 2020	June 30, 2019
Series 2019A ^(a)	\$ 39,540	\$ 39,725
Series 2019A unamortized bond premium	5,864	6,185
Series 2019A bond issuance costs	(370)	(389)
Series 2019B ^(a)	105,905	105,905
Series 2019B bond issuance costs	(870)	(894)
Series 2019C ^(a)	60,605	60,605
Series 2019C bond issuance costs	(583)	(598)
Series 2016 ^(b)	150,000	150,000
Series 2016 bond issuance costs	(1,285)	(1,322)
Series 2012A ^(c)	118,405	118,405
Series 2012A unamortized bond premium	3,436	3,536
Series 2012A bond issuance costs	(856)	(881)
Series 2012B ^(c)	86,165	90,445
Series 2012B unamortized bond premium	10,683	11,269
Series 2012B bond issuance costs	(627)	(661)
Series 2012D ^(c)	80,000	80,000
Series 2012D bond issuance costs	(271)	(280)
Series 2010 ^(d)	241,635	241,635
Series 2010 unamortized bond premium	6,605	6,954
Series 2010 bond issuance costs	(1,941)	(2,043)
Total bonds payable	<u>902,040</u>	<u>907,596</u>
Line of credit ^(e)	34,199	44,199
Loan agreement ^(f)	6,171	7,672
Loan agreement ^(g)	31,500	36,000
Loan agreements ^(h)	3,593	4,259
External notes ⁽ⁱ⁾	2,149	2,469
Finance leases ^(j)	-	728
Finance lease ^(k)	40,248	41,077
Finance lease ^(l)	21,698	21,800
Loan agreements ^(m)	<u>6,878</u>	<u>7,273</u>
Total notes payable and finance leases	<u>146,436</u>	<u>165,477</u>
Total debt	1,048,476	1,073,073
Less current portion	<u>(87,853)</u>	<u>(101,879)</u>
Total long-term debt	<u>\$ 960,623</u>	<u>\$ 971,194</u>

WAKE FOREST BAPTIST

Selected Notes to Combined Financial Statements

March 31, 2020

Dollars in thousands.

Debt is reflected in the combined balance sheets as follows:

	<u>March 31, 2020</u>	<u>June 30, 2019</u>
Current portion of long-term debt	\$ 87,853	\$ 101,879
Notes payable and finance leases, net of current portion	75,329	79,246
Bonds payable, net of current portion	<u>885,294</u>	<u>891,948</u>
Total debt	<u>\$ 1,048,476</u>	<u>\$ 1,073,073</u>

- (a) **Series 2019 Revenue Bonds** – revenue bonds issued by Wake Forest Baptist Obligated Group, representing funds borrowed by the entities pursuant to loan agreements with the North Carolina Medical Care Commission (NCMCC). As a conduit issuer, the NCMCC loans the debt proceeds to the borrower and the bonds are issued by the NCMCC under a MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2019A bonds mature in full in fiscal year 2033. The fixed rate instruments bear interest at fixed coupon rates of 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2019 in annual amounts ranging from \$185 to \$4,505.

The Series 2019B bonds mature in full in fiscal year 2048. The long term rate put bond instruments bear interest at initial fixed coupon rates of 2.20% with an initial term date of December 1, 2022. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2034 and in increasing annual amounts ranging from \$4,605 to \$23,350.

The Series 2019C bonds mature in full in fiscal year 2048. The long term rate put bond instruments bear interest at initial fixed coupon rates of 2.55% with an initial term date of June 1, 2026. Per the bond agreements, the principal payments on the bonds are due on June 1 of each year beginning in 2035 and in increasing annual amounts ranging from \$3,375 to \$16,735.

- (b) **Series 2016 Taxable Bonds** – taxable bonds issued directly by WFUBMC as general, unsecured obligations under the MTI structure. The Series 2016 bonds are structured with a \$75 million bullet maturity due on June 1, 2026, at a fixed rate of 3.093% and a \$75 million term bond with final maturity on June 1, 2046, at a fixed rate of 4.175%. The 2046 maturity includes sinking fund payments of \$25 million due on June 1 of each year beginning in 2044.

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

- (c) **Series 2012 Revenue Bonds** – revenue bonds issued by Wake Forest Baptist Obligated Group, representing funds borrowed by the entities pursuant to loan agreements with the North Carolina Medical Care Commission (NCMCC). As a conduit issuer, the NCMCC loans the debt proceeds to the borrower and the bonds are issued by the NCMCC under a MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2012A bonds mature in full in fiscal year 2046. The fixed rate instruments bear interest at fixed coupon rates of 4.00% and 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2039 and in increasing annual amounts ranging from \$9,425 to \$20,200.

The Series 2012B bonds mature in full in fiscal year 2034. The fixed rate instruments bear interest at fixed coupon rates ranging from 2.00% to 5.00%. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2014 and in increasing annual amounts ranging from \$3,385 to \$7,000.

The Series 2012D bonds were issued in an aggregate principal amount not to exceed \$80,000 and mature in full in fiscal year 2043. The bonds were refunded in fiscal year 2018 and reissued with a new bank as bondholder. The bonds are currently in the Bank-Bought Rate Mode and bear interest at an Index Floating Rate based on an Adjusted London Interbank Offered Rate (LIBOR) rate plus a tax-exempt spread of 0.5925%. At the option of NCBH, the bonds may be converted to various interest rate modes. Per the bond agreements, the principal payments on the bonds are due on December 1 of each year beginning in 2034 and in increasing annual amounts ranging from \$14,075 to \$15,295.

- (d) **Series 2010 Revenue Bonds** – revenue bonds issued by NCBH, representing funds borrowed by the entities pursuant to loan agreements with the NCMCC. As a conduit issuer, the NCMCC loans the debt proceeds to the borrower and the bonds are issued by the NCMCC under an MTI structure. The MTI provides the flexibility for multiple parties to participate in debt issuances as part of an obligated group.

The Series 2010 bonds mature in full in 2034. Per the bond agreements, the principal and sinking fund payments on the bonds are due on June 1 of each year in increasing annual amounts ranging from \$7,705 to \$12,330. The fixed rate instruments bear interest at coupon rates ranging from 2.00% to 5.25%. The total all-in yield rate on the Series 2010 bonds, without giving effect to outstanding swap agreements, is 4.71%.

- (e) **Line of credit** – consists of an unsecured credit facility with a total borrowing capacity of \$150,000 to provide for the working capital needs of NCBH, WFUHS, and WFUBMC, all Borrowers under the credit facility. The line of credit is due on June 9, 2020 and bears interest at one-month LIBOR plus 0.65%.

WAKE FOREST BAPTIST

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

- (f) **Loan agreement** – represents an unsecured loan agreement held by WFUHS, with a variable rate based on one-month LIBOR plus a premium of 0.65% for \$20,014 to refinance two previously outstanding fixed rate notes. Fixed principal payments and accrued interest are due monthly with a final maturity date of April 1, 2023. This taxable loan is guaranteed by both NCBH and WFUBMC.
- (g) **Loan agreement** – represents an unsecured loan agreement held by WFUBMC, with a variable rate based on one-month LIBOR plus a premium of 0.55% for \$60,000 to refinance a portion of the previously outstanding line of credit. Fixed principal payments and accrued interest are due monthly with a bullet maturity date of June 23, 2020. This taxable loan is guaranteed by both NCBH and WFUHS.
- (h) **Loan agreements** – represents notes payable held by WFUHS subsidiary, with variable interest rates based on one-month LIBOR plus a premium of 1.05% and final maturities in 2021 and 2025.
- (i) **External notes** – includes various notes payable held by WFB affiliates, with interest rates ranging from 0% to 5.31% and final maturities in 2024.
- (j) **Finance leases** – comprised of finance lease obligations held by NCBH, maturing at various dates through 2019. The obligations have fixed interest rates of 3.1% and are secured by leased equipment.
- (k) **Finance lease** – represents a finance lease obligation of \$44,125 entered into by WFUHS related to the Bowman Gray Center for Medical Education with an initial term of 15 years and additional renewal options. The obligation has a fixed interest rate of 4.5%.
- (l) **Finance lease** – represents a finance lease obligation of \$21,911 entered into by WFUBMC and WMC related to assets leased from the Town of North Wilkesboro with an initial term of 30 years and additional renewal options. The obligation has a fixed interest rate of 4.1%.
- (m) **Loan agreements** – represents various notes payable and finance leases held by HPMC, with interest rates ranging from a fixed rate of 5.00% to variable one-month LIBOR plus a premium of 2.50% and final maturity dates between 2020 and 2026.

Debt issued under the MTI is payable solely from the Obligated Group's revenues (as defined by the MTI). Additionally, the Combined Group must remain compliant with certain covenants and restrictions required by the MTI and loan agreements underlying the bonds. The Combined Group is subject to covenants under the MTI containing restrictions or limitations with respect to indebtedness, property encumbrance, consolidation or merger or transfer of assets. In addition, the Combined Group has agreed that it will not create any lien upon its property, accounts, or revenue now owned or hereafter acquired other than "permitted liens" as described in the MTI.

WAKE FOREST BAPTIST

Combining Balance Sheet Information (Unaudited)

March 31, 2020

Dollars in thousands.

	NCBH	WFUHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group ⁽¹⁾
Assets														
Current assets:														
Cash and cash equivalents	\$ 35,222	\$ 24,670	\$ 22,211	\$ 25,617	\$ 22,491	\$ 2,964	\$ 6,630	\$ 45,715	\$ 1,601	\$ -	\$ 187,121	\$ (29,819)	\$ -	\$ 157,302
Patient receivables, net	207,258	79,673	38,185	10,260	7,496	7,351	-	8,400	1,223	-	359,846	(16,850)	-	342,996
Accounts, grants, and notes receivable, net	109,559	61,620	38,801	38,088	23,704	670	-	10,298	8,715	(161,511)	129,944	61,576	(6,488)	185,032
Other current assets	72,712	11,926	8,084	2,017	1,712	2,937	-	33,010	111	(31,876)	100,633	7,577	-	108,210
Total current assets	424,751	177,889	107,281	75,982	55,403	13,922	6,630	97,423	11,650	(193,387)	777,544	22,484	(6,488)	793,540
Accounts, grants, and notes receivable, net, long-term	8,325	17,274	671	534	-	-	-	1,217	-	(4,813)	23,208	(100)	-	23,108
Investments and assets whose use is limited	870,323	741,486	51,754	-	-	17,837	404	36,563	145	(250,602)	1,467,910	(56,476)	36,610	1,448,044
Property and equipment, net	659,287	346,495	202,811	46,759	7,268	46,042	372	34,403	5,198	-	1,348,635	(73,769)	-	1,274,866
Goodwill	36,105	1,505	-	420	-	40,043	-	15,952	-	-	94,025	(92,101)	-	1,924
Other assets	29,403	184,179	12,182	399	249	772	-	49,600	-	-	276,784	(56,731)	-	220,053
Total assets	<u>\$ 2,028,194</u>	<u>\$ 1,468,828</u>	<u>\$ 374,699</u>	<u>\$ 124,094</u>	<u>\$ 62,920</u>	<u>\$ 118,616</u>	<u>\$ 7,406</u>	<u>\$ 235,158</u>	<u>\$ 16,993</u>	<u>\$ (448,802)</u>	<u>\$ 3,988,106</u>	<u>\$ (256,693)</u>	<u>\$ 30,122</u>	<u>\$ 3,761,535</u>
Liabilities and Net Assets														
Current liabilities:														
Accounts payable and accruals	\$ 62,382	\$ 7,377	\$ 44,626	\$ 319	\$ 2,769	\$ 1,935	\$ 376	\$ 122,345	\$ 1,176	\$ (108,850)	\$ 134,455	\$ (20,221)	\$ (6,488)	\$ 107,746
Accrued employee compensation	45,629	141,594	5,816	2,085	1,139	1,692	-	14,249	242	-	212,446	(6,948)	-	205,498
Estimated third-party payer settlements, net	16,518	-	-	-	583	-	-	-	-	-	17,101	1,464	-	18,565
Deferred revenue	714	49,540	-	-	1	-	-	-	132	-	50,387	(238)	-	50,149
Current portion of long-term debt	37,935	17,175	543	-	-	155	-	31,501	544	-	87,853	(1,143)	-	86,710
Other current liabilities	58,742	41,398	2,574	-	411	44,317	-	33,666	13	(76,510)	104,611	(10,978)	-	93,633
Total current liabilities	221,920	257,084	53,559	2,404	4,903	48,099	376	201,761	2,107	(185,360)	606,853	(38,064)	(6,488)	562,301
Notes payable, finance leases, and line of credit, net of current portion	-	45,846	6,335	-	-	21,543	-	-	1,605	-	75,329	(29,079)	-	46,250
Bonds payable, net of current portion	509,040	135,695	-	-	-	-	-	240,559	-	-	885,294	-	-	885,294
Retirement benefits	103,238	26,139	-	-	-	3,698	-	-	-	-	133,075	(3,698)	-	129,377
Other long-term liabilities	38,120	226,757	10,608	245	283	573	-	79,682	49	(12,839)	343,478	(44,280)	-	299,198
Total liabilities	872,318	691,521	70,502	2,649	5,186	73,913	376	522,002	3,761	(198,199)	2,044,029	(115,121)	(6,488)	1,922,420
Net assets:														
Without donor restrictions:														
Wake Forest Baptist	1,124,955	538,129	271,919	120,752	57,734	44,703	6,640	(288,065)	13,232	(241,292)	1,648,707	(141,513)	47,082	1,554,276
Noncontrolling interest in affiliates	19,782	456	31	-	-	-	-	-	-	(9,311)	10,958	-	(10,472)	486
Total net assets without donor restrictions	1,144,737	538,585	271,950	120,752	57,734	44,703	6,640	(288,065)	13,232	(250,603)	1,659,665	(141,513)	36,610	1,554,762
With donor restrictions	11,139	238,722	32,247	693	-	-	390	1,221	-	-	284,412	(59)	-	284,353
Total net assets	1,155,876	777,307	304,197	121,445	57,734	44,703	7,030	(286,844)	13,232	(250,603)	1,944,077	(141,572)	36,610	1,839,115
Total liabilities and net assets	<u>\$ 2,028,194</u>	<u>\$ 1,468,828</u>	<u>\$ 374,699</u>	<u>\$ 124,094</u>	<u>\$ 62,920</u>	<u>\$ 118,616</u>	<u>\$ 7,406</u>	<u>\$ 235,158</u>	<u>\$ 16,993</u>	<u>\$ (448,802)</u>	<u>\$ 3,988,106</u>	<u>\$ (256,693)</u>	<u>\$ 30,122</u>	<u>\$ 3,761,535</u>

⁽¹⁾ Represents only those WFB entities that are Obligated Group members or Designated Members under the MTI.

WAKE FOREST BAPTIST

Combining Statement of Operations and Changes in Net Assets Information (Unaudited)

Period Ended March 31, 2020

Dollars in thousands.

	NCBH	WFUHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group ⁽¹⁾
Changes in net assets without donor restrictions:														
Operating revenues and support														
Net patient service revenue	\$ 1,365,493	\$ 496,792	\$ 251,626	\$ 84,423	\$ 60,378	\$ 53,294	\$ 5,311	\$ 90,297	\$ 10,852	\$ -	\$ 2,418,466	\$ (153,505)	\$ -	\$ 2,264,961
Gifts, grants, and contracts	1,332	148,142	52	1,131	-	141	142	66	-	-	151,006	(1,503)	-	149,503
Net student tuition and fees	1,233	27,904	-	-	-	-	-	-	-	-	29,137	-	-	29,137
Investment return designated for current operations	966	17,227	-	-	-	-	-	7	240	-	18,440	(1,204)	-	17,236
Other sources	44,539	177,740	5,187	1,467	333	645	-	9,239	28	(162,825)	76,353	(41,003)	-	35,350
Net assets released from restrictions	11,984	27,134	1,282	-	-	-	127	1,672	-	-	42,199	-	-	42,199
Total operating revenues and support	1,425,547	894,939	258,147	87,021	60,711	54,080	5,580	101,281	11,120	(162,825)	2,735,601	(197,215)	-	2,538,386
Operating expenses														
Salaries and wages	452,967	522,870	89,958	30,015	17,458	27,817	-	59,915	2,246	2,907	1,206,153	(90,187)	-	1,115,966
Employee benefits	133,723	77,055	23,809	8,425	4,193	7,594	-	12,114	382	728	268,023	(20,191)	-	247,832
Purchased services	274,913	132,120	36,466	9,656	4,710	8,227	3,761	15,606	3,872	(158,639)	330,692	(35,634)	-	295,058
Clinical and laboratory supplies	367,213	65,216	61,666	17,532	14,114	8,398	-	7,927	331	-	542,397	(19,523)	-	522,874
Other operating expenses	118,759	71,279	16,335	6,164	7,847	6,502	816	14,494	1,106	(7,821)	235,481	(42,647)	-	192,834
Depreciation	73,235	30,560	11,201	5,191	1,892	2,719	60	1,623	847	-	127,328	(4,423)	-	122,905
Financing costs	14,480	5,582	249	-	-	663	-	5,836	40	-	26,850	(932)	-	25,918
Total operating expenses	1,435,290	904,682	239,684	76,983	50,214	61,920	4,637	117,515	8,824	(162,825)	2,736,924	(213,537)	-	2,523,387
Operating (deficiency) excess of revenues and gains over expenses and losses	(9,743)	(9,743)	18,463	10,038	10,497	(7,840)	943	(16,234)	2,296	-	(1,323)	16,322	-	14,999
Nonoperating gains (losses)														
Gains (losses) from equity-method affiliates	13,710	11,290	(97)	-	-	-	-	1,233	-	(23,750)	2,386	(588)	(8,427)	(6,629)
Net investment (losses) gains	(41,529)	(30,844)	(177)	2	161	220	(9)	1,440	(506)	-	(71,242)	3,494	-	(67,748)
Net losses on interest rate swap valuation	-	(1,300)	(72)	-	-	-	-	-	-	-	(1,372)	72	-	(1,300)
Pension and postretirement costs	(7,029)	(318)	-	-	-	320	-	-	-	-	(7,027)	(320)	-	(7,347)
Other	(2,538)	1,277	448	-	-	(1)	-	-	-	-	(814)	101	-	(713)
(Deficiency) excess of revenues and gains over expenses and losses before noncontrolling interest	(47,129)	(29,638)	18,565	10,040	10,658	(7,301)	934	(13,561)	1,790	(23,750)	(79,392)	19,081	(8,427)	(68,738)

⁽¹⁾ Represents only those WFB entities that are Obligated Group members or Designated Members under the MTI.

WAKE FOREST BAPTIST

Combining Statement of Operations and Changes in Net Assets Information (Unaudited), continued

Period Ended March 31, 2020

Dollars in thousands.

	NCBH	WFUHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group ⁽¹⁾
(Deficiency) excess of revenues and gains over expenses and losses before noncontrolling interest	\$ (47,129)	\$ (29,638)	\$ 18,565	\$ 10,040	\$ 10,658	\$ (7,301)	\$ 934	\$ (13,561)	\$ 1,790	\$ (23,750)	\$ (79,392)	\$ 19,081	\$ (8,427)	\$ (68,738)
Noncontrolling interest	(1,190)	(159)	(15)	-	-	-	-	-	-	638	(726)	-	553	(173)
(Deficiency) excess of revenues and gains over expenses and losses attributable to WFB	(48,319)	(29,797)	18,550	10,040	10,658	(7,301)	934	(13,561)	1,790	(23,112)	(80,118)	19,081	(7,874)	(68,911)
Equity transfer to affiliate	(190)	(200)	-	-	-	-	-	390	-	-	-	-	-	-
Pension and postretirement net adjustments	(49)	-	-	-	-	-	-	-	-	-	(49)	-	-	(49)
Other	-	-	-	-	-	-	-	-	(2,163)	1,622	(541)	2,163	(1,622)	-
Change in net assets without donor restrictions	(48,558)	(29,997)	18,550	10,040	10,658	(7,301)	934	(13,171)	(373)	(21,490)	(80,708)	21,244	(9,496)	(68,960)
Changes in net assets with donor restrictions:														
Contributions	4,026	37,036	5,478	-	-	-	-	-	-	-	46,540	(59)	-	46,481
Investment return in excess of amounts designated for current operations	4	6,031	-	-	-	-	-	-	-	-	6,035	-	-	6,035
Net assets released from restrictions	(11,984)	(27,134)	(1,282)	-	-	-	(127)	(1,672)	-	-	(42,199)	-	-	(42,199)
Net investment losses	(278)	(16,527)	-	-	-	-	-	-	-	-	(16,805)	-	-	(16,805)
Change in net assets with donor restrictions	(8,232)	(594)	4,196	-	-	-	(127)	(1,672)	-	-	(6,429)	(59)	-	(6,488)
Change in net assets attributable to WFB	(56,790)	(30,591)	22,746	10,040	10,658	(7,301)	807	(14,843)	(373)	(21,490)	(87,137)	21,185	(9,496)	(75,448)
Net assets attributable to WFB at beginning of year	1,192,884	807,442	281,420	111,405	47,076	52,004	6,223	(272,001)	13,605	(219,802)	2,020,256	(162,757)	56,578	1,914,077
Net assets attributable to WFB at end of period	1,136,094	776,851	304,166	121,445	57,734	44,703	7,030	(286,844)	13,232	(241,292)	1,933,119	(141,572)	47,082	1,838,629
Change in net assets attributable to noncontrolling interest	1,190	159	15	-	-	-	-	-	-	(638)	726	-	(553)	173
Net assets attributable to noncontrolling interest at beginning of year	18,592	297	16	-	-	-	-	-	-	(8,673)	10,232	-	(9,919)	313
Total net assets at end of period	\$ 1,155,876	\$ 777,307	\$ 304,197	\$ 121,445	\$ 57,734	\$ 44,703	\$ 7,030	\$ (286,844)	\$ 13,232	\$ (250,603)	\$ 1,944,077	\$ (141,572)	\$ 36,610	\$ 1,839,115

⁽¹⁾ Represents only those WFB entities that are Obligated Group members or Designated Members under the MTI.