



Quarterly Disclosure Statements
(Unaudited)
For the Six Months Ended June 30, 2023
For



Advocate Aurora Health, Inc.



The Charlotte-Mecklenburg Hospital Authority
Combined Group



Wake Forest Baptist Combined Group

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Introduction

Purpose of this Report

The purpose of this report is to provide information necessary to comply with continuing disclosure undertakings with respect to the Advocate Aurora Health Credit Group, The Charlotte-Mecklenburg Hospital Authority d/b/a Atrium Health Combined Group and the Atrium Health Wake Forest Baptist Combined Group, as described below, all of which are now part of an integrated health care delivery and academic system known as Advocate Health.

Advocate Health

Effective December 2, 2022, Advocate Aurora Health, Inc., a Delaware nonprofit corporation (“AAH”) and Atrium Health, Inc., a North Carolina nonprofit corporation (“AHI”), entered into a Joint Operating Agreement pursuant to which they created Advocate Health, Inc., a Delaware nonprofit corporation (the “Advocate Health JOC”), to manage and oversee Advocate Health, which will focus on meeting patients’ needs by redefining how, when, and where care is delivered. AAH and AHI are the two corporate members of the Advocate Health JOC. AAH and the entities comprising the “AAH System” described below (the “AAH System Entities”) and AHI and the other participants in the “AHI Enterprise” described below (the “AHI Enterprise Entities”) have maintained their separate legal existence and no sale, transfer, or other conveyance of their assets occurred in connection with the formation of Advocate Health. No assumption or guaranty of debt or other liabilities of the AAH System Entities or AHI Enterprise Entities, or changes to their respective credit groups described below, occurred in connection with the formation of Advocate Health. Advocate Health has a combined footprint across Illinois, Wisconsin, North Carolina, South Carolina, Georgia, and Alabama.

Advocate Aurora Health, Inc.

AAH is the sole corporate member of Advocate Health Care Network, an Illinois not for profit corporation, (“Advocate”) and Aurora Health Care, Inc., a Wisconsin nonstock not-for-profit corporation (“Aurora”). AAH, Advocate, Aurora, and their controlled subsidiaries are collectively referred to herein as the “AAH System.” The AAH System serves patients across northern and central Illinois and eastern Wisconsin. The participants in the AAH System do business as Advocate in Illinois and as Aurora in Wisconsin.

Atrium Health, Inc.

In October 2020, The Charlotte-Mecklenburg Hospital Authority (“CMHA” or “Atrium Health CMHA”), which directly and through its affiliates does business as Atrium Health, and the Wake Forest Baptist Health system (“Wake Forest Baptist” or “Atrium Health Wake Forest Baptist), including Wake Forest School of Medicine, became part of a single enterprise (the “AHI Enterprise”), which is governed and managed by AHI pursuant to a health system integration agreement and related agreements. The AHI Enterprise serves patients across North Carolina, South Carolina, Georgia, and Alabama. The participants in the AHI Enterprise do business as Atrium Health and Atrium Health Wake Forest Baptist (in North Carolina and South Carolina) and as Atrium Health Navicent and Atrium Health Floyd (in Georgia and Alabama).



Advocate Health
Introduction

The financial position and results of operation of Advocate Health are presented by combining the financial statements of AAH, Atrium Health CMHA, and Atrium Health Wake Forest Baptist, which are under the common management of the Advocate Health JOC. Advocate Health, which includes Atrium Health CMHA, has prepared its financial statements in accordance with accounting principles as promulgated by the Financial Accounting Standards Board ("FASB"). Atrium Health CMHA is a governmental entity as defined by the Governmental Accounting Standards Board ("GASB"); accordingly, accounting principles as promulgated by GASB are the appropriate accounting principles for Atrium Health CMHA to follow. Preparation of the Advocate Health combined financial statements requires the financial statements of Atrium Health CMHA to be converted from presentation in accordance with GASB accounting principles to presentation in accordance with FASB accounting principles prior to combination.

The Advocate Health combined financial statements are not required to be delivered pursuant to any continuing disclosure undertaking and are being provided on a voluntary basis.

ADVOCATE HEALTH
COMBINED BALANCE SHEET (Unaudited)
(in thousands)

	June 30, 2023
Assets	
Current assets	
Cash and cash equivalents	\$ 1,410,916
Short term investments	91,159
Assets limited as to use	207,689
Patient accounts receivable	3,662,596
Other current assets	1,824,800
Total current assets	7,197,160
Other assets	
Assets limited as to use	20,295,138
Property and equipment, net	12,322,355
Operating lease right-of-use assets	933,063
Other noncurrent assets	1,801,463
Total other assets	35,352,019
Total assets	\$ 42,549,179
Liabilities	
Current liabilities	
Long-term debt, current portion	\$ 989,311
Operating lease liabilities, current portion	179,298
Accrued salaries and employee benefits	1,996,047
Accounts payable and other accrued liabilities	2,366,533
Third-party payors payables	709,129
Total current liabilities	6,240,318
Noncurrent liabilities	
Long-term debt, less current portion	6,966,691
Operating lease liabilities, less current portion	826,994
Obligations under swap agreements	114,411
Other noncurrent liabilities	3,015,760
Total noncurrent liabilities	10,923,856
Total liabilities	17,164,174
Net assets	
Without donor restrictions	
Controlling interest	24,037,196
Noncontrolling interests in subsidiaries	179,634
Total net assets without donor restrictions	24,216,830
With donor restrictions	
Total net assets	1,168,175
Total net assets	25,385,005
Total liabilities and net assets	\$ 42,549,179

ADVOCATE HEALTH
COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Unaudited)
(in thousands)

	Six Months Ended June 30, 2023
Revenue	
Patient service revenue	\$ 12,825,024
Capitation revenue	612,783
Other revenue	1,754,047
Total revenue	15,191,854
Expenses	
Salaries, wages, and benefits	8,806,575
Supplies and drugs	3,106,480
Purchased services and other expenses	2,442,183
Depreciation and amortization	603,997
Interest	146,924
Total expenses	15,106,159
Operating income	85,695
Nonoperating income	
Investment income, net	938,414
Other nonoperating income, net	2,891
Total nonoperating income, net	941,305
Revenue in excess of expenses	1,027,000
Less income attributable to noncontrolling interests	(29,095)
Revenue in excess of expenses - attributable to controlling interest	\$ 997,905

ADVOCATE HEALTH
COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS (Unaudited)
(in thousands)

	Six Months Ended June 30, 2023
Net assets without donor restrictions, controlling interest	
Revenue in excess of expenses - attributable to controlling interest	\$ 997,905
Pension-related changes other than net periodic pension costs	19,633
Other, net	10,258
Increase in net assets without donor restrictions, controlling interest	1,027,796
Net assets without donor restrictions, noncontrolling interests	
Revenues in excess of expenses	29,095
Distributions to noncontrolling interests	(21,252)
Increase in net assets without donor restrictions, noncontrolling interests	7,843
Net assets with donor restrictions	
Contributions	86,356
Investment income, net	43,647
Net assets released from restrictions	(75,779)
Other, net	(549)
Increase in net assets with donor restrictions	53,675
Increase in net assets	1,089,314
Net assets at beginning of period	24,295,691
Net assets at end of period	\$ 25,385,005

ADVOCATE HEALTH
COMBINED STATEMENT OF CASH FLOWS (Unaudited)
(in thousands)

	Six Months Ended June 30, 2023
Cash flows from operating activities	
Increase in net assets	\$ 1,089,314
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation, amortization, and accretion	598,811
Amortization of operating lease right-of-use assets	102,916
Gain on sale of property and equipment	(1,471)
Pension-related changes other than net periodic pension cost	(19,633)
Proceeds from restricted contributions	(51,940)
Distribution to noncontrolling interests	27,388
Other	(9,737)
Changes in operating assets and liabilities	
Trading securities, net	(674,041)
Patient accounts receivable	(77,930)
Accounts payable and accrued liabilities	(357,928)
Third-party payors receivable and payable, net	94,569
Other assets and liabilities, net	(371,213)
Net cash provided by operating activities	349,105
Cash flows from investing activities	
Capital expenditures	(627,467)
Proceeds from sale of property and equipment	644
Sales of investments designated as non-trading, net	414,749
Investments in unconsolidated entities, net	(37,178)
Other	6,682
Net cash used in investing activities	(242,570)
Cash flows from financing activities	
Repayments of long-term debt, net	(134,278)
Proceeds from issuance of long-term debt	50,000
Distribution to noncontrolling interests	(27,388)
Proceeds from restricted contributions and income on investments	66,732
Net cash used in financing activities	(44,934)
Net increase in cash and cash equivalents	61,601
Cash and cash equivalents at beginning of period	1,441,867
Cash and cash equivalents at end of period	\$ 1,503,468
Reconciliation of cash and cash equivalents to the balance sheet	
Cash and cash equivalents	1,410,916
Restricted cash in investments and assets whose use is limited	92,552
	\$ 1,503,468

**ADVOCATE HEALTH
UTILIZATION STATISTICS**

	Six Months Ended June 30, 2023
Census	
Discharges	252,374
Observation Cases	91,274
Total Bedded Patients	<u>343,648</u>
Inpatient Days	1,391,792
Inpatient Length of Stay	5.50
Case Mix index	1.82
 Other Volume Stats	
Inpatient Surgeries	61,552
Outpatient Surgeries	157,720
Total Surgeries	<u>219,272</u>
ED Visits	1,069,126
wRVUs	26,392,345



ADVOCATE AURORA HEALTH, INC.

Introduction

Advocate Aurora Health Credit Group

AAH and certain other AAH System Entities are members of the “Obligated Group” (the “AAH Obligated Group”) created under a Second Amended and Restated Trust Indenture dated as of August 1, 2018 (the “AAH Master Indenture”) among the Obligated Group Members identified therein and U.S. Bank Trust Company, National Association, Master Trustee. The members of the AAH Obligated Group are jointly and severally liable on any “Obligations” issued under the AAH Master Indenture. Certain of the AAH Obligated Group’s affiliates are designated as “Restricted Affiliates” under the AAH Master Indenture.

Neither the Advocate JOA nor any of the AHI Enterprise Entities is a member of AAH Obligated Group or a Restricted Affiliate as of the date of this report and, therefore, none of them have any obligation to provide for the payment of any Obligation issued under the AAH Master Indenture.

Basis of Presentation

The accompanying consolidated financial statements for AAH as of and for the three and six months ended June 30, 2023 and 2022, have been prepared in accordance with U.S. generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board (“FASB”).

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 615,090	\$ 372,898
Assets limited as to use	153,152	153,557
Patient accounts receivable	1,787,328	1,796,499
Other current assets	995,086	975,406
Total current assets	3,550,656	3,298,360
Assets limited as to use	11,058,745	10,981,192
Property and equipment, net	5,917,078	5,971,542
Other assets		
Goodwill and intangible assets, net	442,372	476,564
Investments in unconsolidated entities	233,144	216,176
Reinsurance receivable	126,830	116,786
Operating lease right-of-use assets	291,390	305,311
Other noncurrent assets	580,248	512,339
Total other assets	1,673,984	1,627,176
Total assets	\$ 22,200,463	\$ 21,878,270

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands)

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
Liabilities		
Current liabilities		
Long-term debt and commercial paper, current portion	\$ 102,661	\$ 101,204
Long-term debt subject to short-term financing arrangements	118,220	165,035
Operating lease liabilities, current portion	70,460	73,026
Accrued salaries and employee benefits	1,066,590	1,165,861
Accounts payable and other accrued liabilities	979,006	1,128,954
Third-party payors payables	385,151	357,177
Accrued insurance and claims costs, current portion	207,416	204,592
Total current liabilities	<u>2,929,504</u>	<u>3,195,849</u>
Noncurrent liabilities		
Long-term debt, less current portion	3,278,276	3,255,423
Operating lease liabilities, less current portion	254,579	276,116
Accrued insurance and claims cost, less current portion	663,079	634,468
Accrued losses subject to insurance recovery	126,830	116,786
Obligations under swap agreements	29,224	29,514
Other noncurrent liabilities	975,045	922,567
Total noncurrent liabilities	<u>5,327,033</u>	<u>5,234,874</u>
Total liabilities	8,256,537	8,430,723
Net assets		
Without donor restrictions		
Controlling interest	13,525,726	13,037,580
Noncontrolling interests in subsidiaries	179,634	171,791
Total net assets without donor restrictions	<u>13,705,360</u>	<u>13,209,371</u>
With donor restrictions	238,566	238,176
Total net assets	<u>13,943,926</u>	<u>13,447,547</u>
Total liabilities and net assets	<u>\$ 22,200,463</u>	<u>\$ 21,878,270</u>

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Revenue				
Patient service revenue	\$ 3,186,715	\$ 2,953,214	\$ 6,388,130	\$ 5,944,296
Capitation revenue	311,604	301,629	612,783	602,026
Other revenue	382,530	291,440	783,762	565,806
Total revenue	<u>3,880,849</u>	<u>3,546,283</u>	<u>7,784,675</u>	<u>7,112,128</u>
Expenses				
Salaries, wages, and benefits	2,228,328	2,092,975	4,457,733	4,176,138
Supplies, purchased services, and other	1,287,627	1,108,130	2,546,982	2,267,928
Contracted medical services	140,348	115,621	275,488	266,402
Depreciation and amortization	154,796	150,891	307,164	293,081
Interest	31,924	29,955	63,175	57,363
Total expenses	<u>3,843,023</u>	<u>3,497,572</u>	<u>7,650,542</u>	<u>7,060,912</u>
Operating income	37,826	48,711	134,133	51,216
Nonoperating income (loss)				
Investment income (loss), net	119,416	(400,030)	400,673	(665,998)
Other nonoperating loss, net	(199)	15,210	(21,586)	36,065
Total nonoperating income (loss), net	<u>119,217</u>	<u>(384,820)</u>	<u>379,087</u>	<u>(629,933)</u>
Revenue in excess of (less than) expenses	157,043	(336,109)	513,220	(578,717)
Less income attributable to noncontrolling interests	(13,236)	(11,441)	(29,095)	(22,060)
Revenue in excess of (less than) expenses - attributable to controlling interest	\$ 143,807	\$ (347,550)	\$ 484,125	\$ (600,777)

(Continued)

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Net assets without donor restrictions, controlling interest				
Revenue in excess of (less than) expenses - attributable to controlling interest	\$ 143,807	\$ (347,550)	\$ 484,125	\$ (600,777)
Pension-related changes other than net periodic pension costs	702	1,854	1,401	3,664
Net assets released from restrictions for purchase of property and equipment	1,070	965	4,635	2,405
Other, net	(844)	(45)	(2,015)	7,982
Increase (decrease) in net assets without donor restrictions, controlling interest	144,735	(344,776)	488,146	(586,726)
Net assets without donor restrictions, noncontrolling interests				
Revenues in excess of expenses	13,236	11,441	29,095	22,060
Distributions to noncontrolling interests	(7,809)	(7,145)	(21,252)	(27,270)
Increase (decrease) in net assets without donor restrictions, noncontrolling interests	5,427	4,296	7,843	(5,210)
Net assets with donor restrictions				
Contributions	3,802	2,276	5,918	3,336
Investment income (loss), net	1,305	(4,701)	4,386	(8,129)
Net assets released from restrictions for operations	(2,981)	(2,406)	(5,344)	(5,239)
Net assets released from restrictions for purchase of property and equipment	(1,070)	(965)	(4,635)	(2,405)
Other, net	47	(183)	65	(196)
Increase (decrease) in net assets with donor restrictions	1,103	(5,979)	390	(12,633)
Increase (decrease) in net assets	151,265	(346,459)	496,379	(604,569)
Net assets at beginning of period	13,792,661	14,072,869	13,447,547	14,330,979
Net assets at end of period	\$ 13,943,926	\$ 13,726,410	\$ 13,943,926	\$ 13,726,410

(Concluded)

ADVOCATE AURORA HEALTH, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	(Unaudited)		(Unaudited)	
	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities				
Increase (decrease) in net assets	\$ 151,265	\$ (346,459)	\$ 496,379	\$ (604,569)
Adjustments to reconcile change in net assets to net cash provided by operating activities:				
Depreciation, amortization, and accretion	152,138	146,211	301,978	285,930
Amortization of operating lease right-of-use assets	18,408	16,726	35,790	35,647
Loss on debt refinancing	—	—	40	33
Loss (gain) on sale of property and equipment	637	85	(1,380)	509
Change in fair value of swap agreements	(7,382)	(19,430)	(291)	(42,680)
Pension-related changes other than net periodic pension cost	(702)	(1,854)	(1,401)	(3,664)
Net assets released from restrictions for operations	(2,981)	(2,406)	(5,344)	(5,239)
Distribution to noncontrolling interests	19,405	19,269	27,388	39,394
Distributions from unconsolidated entities	986	266	8,056	17,265
Changes in operating assets and liabilities				
Trading securities, net	(153,653)	246,948	(82,450)	1,301,260
Patient accounts receivable	76,933	35,063	9,172	(33,894)
Accounts payable and accrued liabilities	74,564	143,049	(192,875)	(441,159)
Third-party payors receivable and payable, net	12,966	(28,260)	47,072	(25,414)
Other assets and liabilities, net	(5,110)	175	(103,925)	(79,201)
Net cash provided by operating activities	<u>337,474</u>	<u>209,383</u>	<u>538,209</u>	<u>444,218</u>
Cash flows from investing activities				
Capital expenditures	(118,204)	(112,199)	(244,276)	(241,780)
Proceeds from sale of property and equipment	343	375	513	1,033
(Purchases) sales of investments designated as non-trading, net	(24)	168	(63)	(66)
Investments in unconsolidated entities, net	(16,938)	—	(17,721)	(17,383)
Acquisition of MobileHelp, net of cash acquired	—	(285,777)	—	(285,777)
Other	(101)	(452)	(404)	(887)
Net cash used in investing activities	<u>(134,924)</u>	<u>(397,885)</u>	<u>(261,951)</u>	<u>(544,860)</u>
Cash flows from financing activities				
Repayments of long-term debt, net	(11,744)	(17,291)	(16,982)	(23,220)
Distribution to noncontrolling interests	(19,405)	(19,269)	(27,388)	(39,394)
Proceeds from restricted contributions and income on investments	5,107	(2,425)	10,304	(4,793)
Net cash used in financing activities	<u>(26,042)</u>	<u>(38,985)</u>	<u>(34,066)</u>	<u>(67,407)</u>
Net increase (decrease) in cash and cash equivalents	176,508	(227,487)	242,192	(168,049)
Cash and cash equivalents at beginning of period	438,582	763,163	372,898	703,725
Cash and cash equivalents at end of period	<u>\$ 615,090</u>	<u>\$ 535,676</u>	<u>\$ 615,090</u>	<u>\$ 535,676</u>
Supplemental disclosures of noncash information				
Operating lease right-of-use assets in exchange for new operating lease liabilities	\$ 17,143	\$ 45,529	\$ 21,870	\$ 67,414

ADVOCATE AURORA HEALTH, INC.
UTILIZATION STATISTICS

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Change	% Change
Historical Utilization Statistics				
Discharges	60,342	58,450	1,892	3.2 %
Observation Cases	26,964	26,395	569	2.2 %
Patient Days	308,532	316,030	(7,498)	(2.4)%
Hospital Outpatient Visits	1,152,991	1,097,689	55,302	5.0 %
Physician Visits	2,631,630	2,486,046	145,584	5.9 %
Home Care Visits	213,918	205,818	8,100	3.9 %
Capitated Member Lives ⁽¹⁾	220,572	233,067	(12,495)	(5.4)%

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	% Change
Historical Utilization Statistics				
Discharges	119,442	115,411	4,031	3.5 %
Observation Cases	53,157	48,899	4,258	8.7 %
Patient Days	628,561	643,550	(14,989)	(2.3)%
Hospital Outpatient Visits	2,272,610	2,134,088	138,522	6.5 %
Physician Visits	5,233,283	4,877,918	355,365	7.3 %
Home Care Visits	432,890	411,044	21,846	5.3 %

⁽¹⁾ As of the date set forth in the column header

	Three Months Ended June 30, 2023	Three Months Ended June 30, 2022	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Payor Mix				
Managed Care	53 %	56 %	53 %	56 %
Medicare	31 %	31 %	32 %	31 %
Medicaid	14 %	12 %	13 %	11 %
Self-pay and Other	2 %	1 %	2 %	2 %
	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>	<u>100 %</u>



THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP Introduction

Atrium Health CMHA Combined Group

CMHA issues revenue bonds (“CMHA Bonds”) under a Second Amended and Restated Bond Order adopted in 1997 (as amended, the “CMHA Bond Order”). CMHA and certain of its affiliates have formed an “Obligated Group” (the “CMHA Obligated Group”) under the CMHA Bond Order. Members of the CMHA Obligated Group are jointly and severally liable for payment of CMHA Bonds and other obligations secured by the CMHA Bond Order (“Parity Obligations”). The CMHA Bond Order also authorizes the creation of a “Combined Group” (the “CMHA Combined Group”), which consists of the members of the CMHA Obligated Group and any affiliates designated by CMHA (“Designated Affiliates”).

None of the Advocate Health JOA, the AAH System Entities, or any entities that are part of Wake Forest Baptist are members of the CMHA Combined Group as of the date of this report and, therefore, none of them have any obligation to provide for the payment of the CMHA Bonds or Parity Obligations.

Basis of Presentation

The accompanying consolidated financial statements and highlights reflect the financial position and results of operations of the CMHA Combined Group as of and for the six months ended June 30, 2023 and 2022. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles, as promulgated by the Governmental Accounting Standards Board (“GASB”).

THE CHARLOTTE-MECKLENBURG HOSPITAL AUTHORITY COMBINED GROUP
Financial Highlights

Six Months Ended June 30, 2023 Compared with Six Months Ended June 30, 2022:

For the six months ended June 30, 2023, net income was \$393,709, a \$1,545,481 increase from 2022, driven primarily by favorable investment performance and higher income from operations. Operating income was \$58,032 for the six months ended June 30, 2023, which was \$130,652 above the prior year.

Total operating revenue increased 12.5% to \$4,216,751 largely due to greater hospital and medical group patient volumes; annual increases in reimbursement rates; growth in retail pharmacy sales and additional grant revenue. Total operating expenses increased 8.9% to \$4,158,719, primarily due to personnel costs on higher patient volumes along with other expense inflation.

As of June 30, 2023, days cash on hand was 312 days. Debt-to-capitalization ratio decreased from 32.3% at December 31, 2022, to 30.7% at June 30, 2023, primarily driven by favorable net income in the first quarter.

THE CMHA COMBINED GROUP
COMBINED BALANCE SHEETS
(in thousands)

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 329,566	\$ 402,408
Short term investments	30,948	31,546
Assets limited as to use	51,248	47,950
Patient accounts receivable	1,126,510	1,049,395
Other current assets	475,312	423,669
Total current assets	2,013,584	1,954,968
Other assets		
Assets limited as to use	6,001,845	5,946,372
Property and equipment, net	4,312,679	4,226,057
Operating lease right-of-use assets, net	475,431	483,250
Other noncurrent assets	341,644	319,403
Total other assets	11,131,599	10,975,082
Total assets	13,145,183	12,930,050
Deferred outflows of resources	243,967	165,439
Total assets and deferred outflows of resources	\$ 13,389,150	\$ 13,095,489
Liabilities		
Current liabilities		
Long-term debt, current portion	\$ 697,197	\$ 767,418
Operating lease liabilities, current portion	73,226	76,313
Accrued salaries and employee benefits	471,458	585,006
Accounts payable and other accrued liabilities	675,704	723,112
Estimated third party payer settlements	303,151	294,182
Total current liabilities	2,220,736	2,446,031
Noncurrent liabilities		
Long-term debt, less current portion	2,335,322	2,307,990
Operating lease liabilities, less current portion	441,829	443,075
Obligations under swap agreements	81,474	82,527
Other noncurrent liabilities	837,148	827,683
Total noncurrent liabilities	3,695,773	3,661,275
Total liabilities	5,916,509	6,107,306
Deferred inflows of resources	155,398	80,510
Net position		
Net investment in capital assets	1,310,995	1,123,938
Restricted - by donor	475,233	456,115
Unrestricted	5,531,015	5,327,620
Total net position	7,317,243	6,907,673
Total liabilities and deferred inflows and net position	\$ 13,389,150	\$ 13,095,489

THE CMHA COMBINED GROUP
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
(in thousands)

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022
Revenue		
Patient service revenue	\$ 3,792,392	\$ 3,362,620
Other revenue	424,359	384,504
Total revenue	<u>4,216,751</u>	<u>3,747,124</u>
Expenses		
Salaries, wages, and benefits	2,425,421	2,258,384
Supplies and drugs	891,159	798,493
Purchased services and other expenses	621,523	551,290
Depreciation and amortization	220,616	211,577
Total operating expenses	<u>4,158,719</u>	<u>3,819,744</u>
Operating income (loss)	58,032	(72,620)
Nonoperating income (loss)		
Interest expense	(64,508)	(54,806)
Investment income (loss), net	447,611	(1,022,277)
Other nonoperating loss, net	(47,426)	(2,069)
Total nonoperating income (loss), net	<u>335,677</u>	<u>(1,079,152)</u>
Excess (deficiency) of revenues and support over expenses and losses before contributions	\$ 393,709	\$ (1,151,772)
Changes in net position		
Capital and other contributions	15,861	9,423
Changes in net position	409,570	(1,142,349)
Net position, beginning of year	6,907,673	7,938,673
Net position, end of year	\$ <u>7,317,243</u>	\$ <u>6,796,324</u>

THE CMHA COMBINED GROUP
COMBINED STATEMENTS OF CASH FLOWS

(in thousands)

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022
Cash flows from operating activities		
Receipts from third-party payers and patients	\$ 3,724,247	\$ 3,299,417
Payments to suppliers	(1,566,379)	(1,512,770)
Payments to employees	(2,534,996)	(2,412,046)
Other receipts, net	365,558	428,717
Net cash used in operating activities	<u>(11,570)</u>	<u>(196,682)</u>
Cash flows from financing activities		
Cash flows from noncapital financing activities		
Retirements of commercial paper	—	(100,000)
Commitment to academic endowment fund	(47,000)	—
Other activities	(13,420)	(2,456)
Net cash used in noncapital financing activities	<u>(60,420)</u>	<u>(102,456)</u>
Cash flows from capital and related financing activities		
Capital expenditures	(290,004)	(288,924)
Interest payments on short- and long-term debt	(61,047)	(59,162)
Repayments of long-term debt, net	(86,549)	(188,978)
Proceeds from issuance of long-term debt	50,000	143,064
Contributions restricted for building and equipment purchases	13,574	11,434
Other contributions	3,287	2,859
Net cash used in capital and related financing activities	<u>(370,739)</u>	<u>(379,707)</u>
Net cash used in financing activities	<u>(431,159)</u>	<u>(482,163)</u>
Cash flows from investing activities		
Investment earnings	6,771	1,440
Purchases of investments and assets limited as to use	(67,992)	(39,751)
Sales of investments and assets limited as to use	438,011	—
Purchase of equity method investments	(19,457)	—
Net cash provided by (used in) investing activities	<u>357,333</u>	<u>(38,311)</u>
Net decrease in cash, cash equivalents and restricted cash	(85,396)	(717,156)
Cash and cash equivalents		
Beginning of year	486,680	1,019,470
End of period	\$ 401,284	\$ 302,314
Reconciliation of cash and cash equivalents to the balance sheet		
Cash and cash equivalents	329,566	186,664
Restricted cash in investments and assets whose use is limited	71,718	115,650
Total cash, cash equivalents and restricted cash	\$ 401,284	\$ 302,314
Reconciliation of operating income (loss) to net cash used in operating activities		
Operating income (loss)	\$ 58,032	\$ (72,620)
Adjustments to reconcile operating income (loss) to net cash used in operating activities		
Depreciation and amortization	220,616	211,577
Increase in patient accounts receivable	(77,115)	(53,877)
(Increase) decrease in other current assets	(45,934)	54,517
(Increase) decrease in other noncurrent assets	(75,881)	155,517
Decrease in accounts payable and other accrued liabilities	(103,697)	(318,817)
Increase (decrease) in other noncurrent liabilities	3,440	(163,653)
Increase (decrease) in estimated third party payer settlements	8,969	(9,326)
Net cash used in operating activities	<u>\$ (11,570)</u>	<u>\$ (196,682)</u>

**THE CMHA COMBINED GROUP
UTILIZATION STATISTICS**

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	% Change
Medical Group				
Practice locations	546	542	4	0.7 %
Total Physicians	1,865	1,839	26	1.4 %
Patient visits (including faculty)	3,091,400	2,885,922	205,478	7.1 %
Total Acute Care Facilities				
Adjusted patient days (excluding newborn)	964,757	912,133	52,624	5.8 %
Adjusted discharges (excluding newborn)	168,066	148,247	19,819	13.4 %
Surgical Procedures	51,293	46,764	4,529	9.7 %



ATRIUM HEALTH WAKE FOREST BAPTIST

Introduction

Atrium Health Wake Forest Baptist Combined Group

Atrium Health Wake Forest Baptist is an integrated clinical, research, and academic enterprise operated by Wake Forest University Baptist Medical Center, a North Carolina nonprofit corporation (“WFBMC”), which is a joint operating company that was established by Wake Forest University, a North Carolina nonprofit corporation (“WFU”), and North Carolina Baptist Hospital, a North Carolina nonprofit corporation (“NCBH”). Wake Forest University Health Sciences (“WFUHS”) is a wholly-owned affiliate of WFU that owns all of the assets of and operates Wake Forest University School of Medicine and is part of Atrium Health Wake Forest Baptist.

WFBMC, NCBH, and WFUHS are the members of the “Obligated Group” (the “WFB Obligated Group”) created under a Master Trust Indenture, dated as of March 1, 2010 (as supplemented and amended, the “WFB Master Indenture”), between NCBH and The Bank of New York Mellon Trust Company, N.A., as master trustee. The members of the WFB Obligated Group are jointly and severally liable on any “Obligations” issued under the WFB Master Indenture. The WFB Master Indenture authorizes the creation of a “Combined Group” (the “WFB Combined Group”), which consists of the members of the WFB Obligated Group and all “Designated Members.” Wake Forest University is not a member of the WFB Obligated Group or a part of Wake Forest Baptist and is not directly or indirectly obligated to pay amounts due with respect to Obligations issued under the WFB Master Indenture.

None of the Advocate Health JOA, the AAH System Entities, or CMHA or any of its affiliates are members of the WFB Combined Group as of the date of this report and, therefore, none of them have any obligation to provide for the payment of any Obligation issued under the WFB Master Indenture.

Basis of Presentation

The accompanying combined financial statements reflect the financial position and results of operations of Atrium Health Wake Forest Baptist as of and for the six months ended June 30, 2023 and 2022. These financial statements have been prepared in accordance with U.S. generally accepted accounting principles, as promulgated by the Financial Accounting Standards Board (“FASB”).

ATRIUM HEALTH WAKE FOREST BAPTIST
COMBINED BALANCE SHEETS
(in thousands)

	(Unaudited) June 30, 2023	(Audited) December 31, 2022
Assets		
Current assets		
Cash and cash equivalents	\$ 251,698	\$ 320,705
Patient receivables, net	424,553	393,740
Accounts, grants, and note receivable, net	200,905	166,860
Other current assets	94,656	106,701
Total current assets	<u>971,812</u>	<u>988,006</u>
Property and equipment, net	1,276,450	1,260,602
Investments and assets limited as to use	2,164,487	2,098,334
Operating lease right-of-use assets	144,226	157,902
Other assets	176,210	174,550
Total assets	<u>\$ 4,733,185</u>	<u>\$ 4,679,394</u>
Liabilities		
Current liabilities		
Accounts payable	\$ 186,522	\$ 189,755
Salaries and benefits payable	356,217	385,169
Other liabilities and accruals	200,774	190,905
Estimated third party payer settlements	34,860	40,725
Current portion of operating lease liabilities	33,225	36,335
Current portion of long-term debt	54,175	54,468
Total current liabilities	<u>865,773</u>	<u>897,357</u>
Notes payable, finance leases, and lines of credit, net of current portion	75,087	79,350
Bonds payable, net of current portion	789,398	806,950
Operating lease liabilities, net of current portion	118,260	128,896
Interest rate swap liability	996	1,181
Retirement benefits	90,134	90,646
Other liabilities	149,915	100,620
Total liabilities	<u>2,089,563</u>	<u>2,105,000</u>
Net assets		
Without donor restrictions	2,229,667	2,182,915
With donor restrictions	413,955	391,479
Total net assets	<u>2,643,622</u>	<u>2,574,394</u>
Total liabilities and net assets	<u>\$ 4,733,185</u>	<u>\$ 4,679,394</u>

ATRIUM HEALTH WAKE FOREST BAPTIST
COMBINED STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS
(in thousands)

	(Unaudited) Six Months Ended June 30, 2023	(Unaudited) Six Months Ended June 30, 2022
Revenue		
Patient service revenue	\$ 1,848,710	\$ 1,614,550
Other sources	494,879	440,516
Total operating revenues	<u>2,343,589</u>	<u>2,055,066</u>
Expenses		
Personnel costs	1,404,604	1,265,770
Supplies	577,994	509,348
Purchased services	71,619	76,574
Other operating expenses	209,328	193,547
Depreciation and amortization	77,601	81,928
Financing costs	16,867	14,940
Total operating expenses	<u>2,358,013</u>	<u>2,142,107</u>
Operating loss	(14,424)	(87,041)
Nonoperating income (loss)		
Investment income (loss), net	63,597	(190,856)
Unrealized gains on interest rate swap valuation	185	1,585
Pension and postretirement costs	1,085	157
Losses from equity method affiliates	(2,855)	(933)
Other, net	(268)	(867)
Total nonoperating income (loss), net	<u>61,744</u>	<u>(190,914)</u>
Excess (deficiency) of revenues and gains over expenses and losses	47,320	(277,955)
Changes in net assets without donor restrictions		
Pension and postretirement-related (losses) gains other than net periodic cost	(568)	4,291
Change in net assets without donor restrictions	<u>46,752</u>	<u>(273,664)</u>
Changes in net assets with donor restrictions		
Contributions	43,201	18,677
Investment return in excess of amounts designated for current operations	5,086	4,366
Net assets released from restrictions	(29,613)	(26,502)
Net investment gains (losses)	4,604	(22,679)
Other	(802)	(15)
Change in net assets with donor restrictions	<u>22,476</u>	<u>(26,153)</u>
Change in total net assets	<u>69,228</u>	<u>(299,817)</u>
Net assets, beginning of year	2,574,394	2,816,937
Net assets, end of year	<u><u>\$ 2,643,622</u></u>	<u><u>\$ 2,517,120</u></u>

**ATRIUM HEALTH WAKE FOREST BAPTIST
COMBINED STATEMENTS OF CASH FLOWS**
(in thousands)

	(Unaudited)	(Unaudited)
	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022
Cash flows from operating activities		
Receipts from third-party payers and patients	\$ 1,812,032	\$ 1,624,154
Payments to suppliers	(840,882)	(825,468)
Payments to employees	(1,433,551)	(1,323,221)
Other receipts, net	482,999	395,211
Net cash provided by (used in) operating activities	20,598	(129,324)
Cash flows from financing activities		
Principal payments, refunding, and retirements on short and long-term debt	(20,225)	(20,180)
Payments on finance lease obligations	(1,424)	(1,357)
Other contributions	2,460	4,327
Net cash used in financing activities	(19,189)	(17,210)
Cash flows from investing activities		
Net purchases and sales of investments and assets whose use is limited	41,026	105,216
Purchases of property and equipment	(93,405)	(62,982)
Net cash (used in) provided by investing activities	(52,379)	42,234
Net decrease in cash, cash equivalents, and restricted cash	(50,970)	(104,300)
Cash, cash equivalents, and restricted cash		
Beginning of year	323,502	338,517
End of year	\$ 272,532	\$ 234,217
Reconciliation of cash, cash equivalents, and restricted cash to the balance sheet		
Cash and cash equivalents	251,698	229,921
Restricted cash in investments and assets whose use is limited	20,834	4,296
Total cash, cash equivalents, and restricted cash	\$ 272,532	\$ 234,217

ATRIUM HEALTH WAKE FOREST BAPTIST
COMBINING BALANCE SHEET INFORMATION (Unaudited)
(in thousands)

	June 30, 2023			
	Atrium Health Wake Forest Baptist	Atrium Health Wake Forest Baptist Non- Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Assets				
Current assets				
Cash and cash equivalents	\$ 251,698	\$ (43,076)	\$ —	\$ 208,622
Patient receivables, net	424,553	(24,637)	—	399,916
Accounts, grants, and note receivable, net	200,905	(43,131)	—	157,774
Other current assets	94,656	(4,989)	—	89,667
Total current assets	971,812	(115,833)	—	855,979
Property and equipment, net	1,276,450	(79,898)	—	1,196,552
Investments and assets limited as to use	2,164,487	(109,271)	(4,328)	2,050,888
Operating lease right-of-use assets	144,226	(26,146)	—	118,080
Other assets	176,210	(92,492)	—	83,718
Total assets	\$ 4,733,185	\$ (423,640)	\$ (4,328)	\$ 4,305,217
Liabilities				
Current liabilities				
Accounts payable	\$ 186,522	\$ (179,029)	\$ —	\$ 7,493
Salaries and benefits payable	356,217	(12,495)	—	343,722
Other liabilities and accruals	200,774	(10,171)	—	190,603
Estimated third party payer settlements	34,860	(10,285)	—	24,575
Current portion of operating lease liabilities	33,225	(6,011)	—	27,214
Current portion of long-term debt	54,175	(1,377)	—	52,798
Total current liabilities	865,773	(219,368)	—	646,405
Notes payable, finance leases, and lines of credit, net of current portion	75,087	(22,831)	—	52,256
Bonds payable, net of current portion	789,398	—	—	789,398
Operating lease liabilities, net of current portion	118,260	(21,286)	—	96,974
Interest rate swap liability	996	—	—	996
Retirement benefits	90,134	(1,301)	—	88,833
Other liabilities	149,915	(3,895)	—	146,020
Total liabilities	2,089,563	(268,681)	—	1,820,882
Net assets				
Without donor restrictions	2,229,667	(155,954)	(4,328)	2,069,385
With donor restrictions	413,955	995	—	414,950
Total net assets	2,643,622	(154,959)	(4,328)	2,484,335
Total liabilities and net assets	\$ 4,733,185	\$ (423,640)	\$ (4,328)	\$ 4,305,217

ATRIUM HEALTH WAKE FOREST BAPTIST
COMBINING STATEMENTS OF OPERATIONS AND CHANGES IN NET ASSETS (Unaudited)
(in thousands)

	Six Months Ended June 30, 2023			
	Atrium Health Wake Forest Baptist	Atrium Health Wake Forest Baptist Non- Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Revenue				
Patient service revenue	\$ 1,848,710	\$ (131,058)	\$ —	\$ 1,717,652
Other sources	494,879	(43,387)	583	452,075
Total operating revenues	<u>2,343,589</u>	<u>(174,445)</u>	<u>583</u>	<u>2,169,727</u>
Expenses				
Personnel costs	1,404,604	(98,950)	—	1,305,654
Supplies	577,994	(23,727)	—	554,267
Purchased services	71,619	(5,972)	583	66,230
Other operating expenses	209,328	(47,412)	—	161,916
Depreciation and amortization	77,601	(3,536)	—	74,065
Financing costs	16,867	(483)	—	16,384
Total operating expenses	<u>2,358,013</u>	<u>(180,080)</u>	<u>583</u>	<u>2,178,516</u>
Operating (loss) income	(14,424)	5,635	—	(8,789)
Nonoperating income (loss)				
Investment income (loss), net	63,597	(3,391)	—	60,206
Unrealized gains on interest rate swap valuation	185	—	—	185
Pension and postretirement costs	1,085	(103)	—	982
Losses from equity method affiliates	(2,855)	(235)	(8,737)	(11,827)
Other, net	(268)	2,205	(1,645)	292
Total nonoperating income (loss), net	<u>61,744</u>	<u>(1,524)</u>	<u>(10,382)</u>	<u>49,838</u>
Excess (deficiency) of revenues and gains over expenses and losses	\$ 47,320	\$ 4,111	\$ (10,382)	\$ 41,049
Changes in net assets without donor restrictions				
Pension and postretirement-related losses other than net periodic cost	(568)	—	—	(568)
Change in net assets without donor restrictions	46,752	4,111	(10,382)	40,481
Changes in net assets with donor restrictions				
Contributions	43,201	989	—	44,190
Investment return in excess of amounts designated for current operations	5,086	—	—	5,086
Net assets released from restrictions	(29,613)	—	—	(29,613)
Net investment gains	4,604	—	—	4,604
Other	(802)	—	—	(802)
Change in net assets with donor restrictions	22,476	989	—	23,465
Change in total net assets	69,228	5,100	(10,382)	63,946
Net assets, beginning of year	2,574,394	(160,059)	6,054	2,420,389
Net assets, end of year	\$ 2,643,622	\$ (154,959)	\$ (4,328)	\$ 2,484,335

**ATRIUM HEALTH WAKE FOREST BAPTIST COMBINED GROUP
UTILIZATION STATISTICS**

	Six Months Ended June 30, 2023	Six Months Ended June 30, 2022	Change	% Change
Case Mix Adjusted Equivalent Discharges	154,237	140,865	13,372	9.5 %
Patient Days	172,418	160,999	11,419	7.1 %
Inpatient Admissions	31,678	28,737	2,941	10.2 %
Average Length of Stay	5.44	5.60	(0.16)	(2.9)%
Average Length of Stay (Case Mix Adjusted)	2.80	2.83	(0.03)	(1.1)%
Inpatient Operating Room Cases	9,572	8,726	846	9.7 %
Outpatient Operating Room Cases	22,449	21,331	1,118	5.2 %
Total Operating Room Cases	32,021	30,057	1,964	6.5 %
Emergency Department Visits	107,305	98,739	8,566	8.7 %
Case Mix Index (all payors using Medicare weights)	1.9437	1.9788	(0.0351)	(1.8)%
RVUs	4,998,036	4,145,664	852,372	20.6 %
Outpatient Visit	1,033,921	955,515	78,406	8.2 %