



## QUARTERLY DISCLOSURE STATEMENT (UNAUDITED)

For the Period Ended September 30, 2019

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

**QUARTERLY DISCLOSURE**  
**September 30, 2019**

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**

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*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 September 30, 2019. As of September 30, 2019, the Combined Group generated in the aggregate 92.8% of Wake Forest Baptist’s unrestricted revenue, and the Combined Group owned in the aggregate 94.1% of Wake Forest Baptist’s unrestricted net assets.*

Through the first quarter of fiscal year 2020, Wake Forest Baptist reported a gain in unrestricted net assets of \$11.1 million. This is comprised of operating income of 8.9 million (1.0% operating margin) and net non-operating gains of \$2.1 million.

**Operating Results**

Operating income for the first quarter was \$8.9 million or 1.0% compared to prior year of \$2.4 million or 0.3%. Year to date operating EBIDA Margin was \$60.6 million or 6.7% compared to prior year of \$46.0 million, or 5.9%.

Net patient service revenue was \$790 million fiscal year to date compared to \$679 million through September prior year, an increase of 16.3%. The increase is due to the acquisition of High Point Medical Center, growth in services, increased payment rates, and better yield from improved revenue cycle processes. Other revenues totaled \$108.1 million through September, an increase from \$93.6 million in the first quarter prior year. In total, revenue increased by 16.2% over last year.

Through September, salaries and benefits increased \$59.4 million or 14.0% from prior year. When compared against net revenue growth, salaries and benefits improved from 55.0% prior year to 54.0% year to date September, reflecting increasing labor productivity measures.

Purchased services were \$104.1 million through first quarter, increasing from \$90.5 million in the prior year.

Clinical and laboratory supplies increased 18.2% over prior year and, when comparing as a percent of net patient service revenue, increased from 21.5% in prior year to 21.9% year to date through September. The increase is driven by continued supply inflation in drugs, implants, and general medical supplies.

Depreciation and amortization increased \$7.8 million to \$42.4 million through September, due primarily to increased capital expenditures placed in service.

**Non-operating Results**

Wake Forest Baptist reported net non-operating gains of \$2.1 million through first quarter, primarily due to net investment gains of \$4.0 million partially offset by pension and and post retirement costs.

**QUARTERLY DISCLOSURE**  
**September 30, 2019**

**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.

	<b>9/30/2019</b>	<b>9/30/2018</b>
<b>Unrestricted Cash and Investments (\$M)</b>	\$ 1,367,912	\$ 1,342,557
<b>Unrestricted Cash-to-LT Debt</b>	132%	146%
<b>Days Cash on Hand</b>	162	190
<b>Debt-to-Capitalization</b>	38.8%	38.0%
<b>Historic Debt Service Coverage</b> <i>(Trailing Twelve Months)</i>	3.3	2.6

**UTILIZATION STATISTICS – COMBINED GROUP**

	<b>Three Months Ended</b>		<b>% Chg from Prior Year</b>
	<u>9/30/2019</u>	<u>9/30/2018</u>	
Case Mix Adjusted Equivalent Discharges	66,887	51,952	28.7%
Patient Days	82,757	65,009	27.3%
Inpatient Admissions	16,029	11,022	45.4%
Average Length of Stay	5.2	5.9	-12.5%
Average Length of Stay (Case Mix Adjusted)	2.8	2.9	-1.4%
Inpatient Operating Room Cases	5,101	4,187	21.8%
Outpatient Operating Room Cases	8,895	6,734	32.1%
Total Operating Room Cases	13,996	10,921	28.2%
Emergency Department Visits	52,202	38,037	37.2%
Case Mix Index <i>(all payors using Medicare weights)</i>	1.8159	2.0475	-11.3%
RVUs	1,905,139	1,628,929	17.0%
Outpatient Visits	436,360	361,926	20.6%



## **WAKE FOREST BAPTIST**

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**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 September 30, 2019  
(Unaudited)**

**WAKE FOREST BAPTIST**  
**Combined Financial Statements**  
**Period Ended September 30, 2019**  
**(Unaudited)**

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**WAKE FOREST BAPTIST**

## Combined Balance Sheets

*Dollars in thousands.*

	<b>(Unaudited) September 30, 2019</b>	<b>(Audited) June 30, 2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 215,053	\$ 237,455
Patient receivables, net	355,722	353,566
Accounts, grants, and notes receivable, net	142,292	138,038
Other current assets	100,075	106,622
Total current assets	<u>813,142</u>	<u>835,681</u>
Accounts, grants, and notes receivable, net, long-term	23,276	23,334
Investments and assets whose use is limited	1,556,559	1,565,022
Property and equipment, net	1,382,254	1,408,318
Goodwill	94,025	94,025
Other assets	<u>233,922</u>	<u>23,041</u>
 Total assets	 <u>\$ 4,103,178</u>	 <u>\$ 3,949,421</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accruals	\$ 126,699	\$ 157,012
Accrued employee compensation	195,441	214,220
Estimated third-party payer settlements, net	73,311	64,356
Deferred revenue	61,952	57,899
Current portion of long-term debt	99,810	101,879
Other current liabilities	106,398	68,071
Total current liabilities	<u>663,611</u>	<u>663,437</u>
Notes payable, capital leases, and line of credit, net of current portion	77,981	79,246
Bonds payable, net of current portion	891,583	891,948
Retirement benefits	128,405	126,125
Other long-term liabilities	<u>304,956</u>	<u>158,177</u>
 Total liabilities	 <u>2,066,536</u>	 <u>1,918,933</u>
Net assets:		
Without donor restrictions:		
Wake Forest Baptist	1,740,494	1,729,415
Noncontrolling interest in affiliates	10,448	10,232
Total net assets without donor restrictions	<u>1,750,942</u>	<u>1,739,647</u>
With donor restrictions	<u>285,700</u>	<u>290,841</u>
 Total net assets	 <u>2,036,642</u>	 <u>2,030,488</u>
 Total liabilities and net assets	 <u>\$ 4,103,178</u>	 <u>\$ 3,949,421</u>

**WAKE FOREST BAPTIST**

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

*Dollars in thousands.*

	Period Ended September 30,	
	2019	2018
<b>Changes in net assets without donor restrictions:</b>		
<b>Operating revenues and support</b>		
Net patient service revenue	\$ 789,739	\$ 679,228
Gifts, grants, and contracts	47,897	45,721
Net student tuition and fees	10,141	8,507
Investment return designated for current operations	6,117	6,670
Other sources	26,185	25,532
Net assets released from restrictions	17,770	7,130
Total operating revenues and support	<u>897,849</u>	<u>772,788</u>
<b>Operating expenses</b>		
Salaries and wages	397,478	348,671
Employee benefits	86,913	76,288
Purchased services	104,072	90,472
Clinical and laboratory supplies	172,842	146,229
Other operating expenses	75,982	65,160
Depreciation and amortization	42,438	34,639
Financing costs	9,194	8,939
Total operating expenses	<u>888,919</u>	<u>770,398</u>
Operating excess of revenues and gains over expenses and losses	8,930	2,390
<b>Nonoperating gains (losses)</b>		
Gains from equity-method affiliates	931	494
Net investment gains	3,982	13,992
Net (losses) gains on interest rate swap valuation	(421)	307
Contribution from business combination, net	-	22,166
Pension and postretirement costs	(2,342)	(1,822)
Other	422	(3,263)
Excess of revenues and gains over expenses and losses before noncontrolling interest	<u>\$ 11,502</u>	<u>\$ 34,264</u>

**WAKE FOREST BAPTIST**

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

*Dollars in thousands.*

	Period Ended September 30,	
	2019	2018
Excess of revenues and gains over expenses and losses before noncontrolling interest	\$ 11,502	\$ 34,264
Noncontrolling interest	(216)	(406)
Excess of revenues and gains over expenses and losses attributable to Wake Forest Baptist	11,286	33,858
Pension and other postretirement net adjustments	(24)	(24)
Other	(183)	(130)
Change in net assets without donor restrictions	11,079	33,704
<b>Changes in net assets with donor restrictions:</b>		
Contributions	10,974	5,965
Investment return in excess of amounts designated for current operations	1,955	1,949
Net assets released from restrictions	(17,770)	(7,130)
Net investment losses	(300)	(132)
Contribution from business combination, net	-	26,111
Change in net assets with donor restrictions	(5,141)	26,763
Change in total net assets attributable to Wake Forest Baptist	5,938	60,467
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	2,026,194	2,057,046
Change in net assets attributable to noncontrolling interest	216	406
Net assets attributable to noncontrolling interest at beginning of period	10,232	7,960
Total net assets at end of period	\$ 2,036,642	\$ 2,065,412



**WAKE FOREST BAPTIST**

## Combined Statements of Cash Flows (Unaudited)

*Dollars in thousands.*

	<b>Period Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
<b>Operating activities and gains and losses</b>		
Change in net assets	\$ 6,154	\$ 60,873
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation	42,438	34,639
Amortization of bond premium	(364)	(277)
Contribution from business combination, net	-	(48,277)
Gains from equity-method affiliates	(931)	(494)
Net investment gains	(11,754)	(22,479)
Losses (gains) in value of interest rate swaps, net	421	(307)
(Gains) losses on disposal of property and equipment	(203)	64
Contributions restricted for long-term investing	(2,097)	(380)
Changes in operating assets and liabilities:		
Patient receivables, net	(2,156)	(22,267)
Accounts, grants, and notes receivable, net	(4,196)	2,038
Other current assets	6,547	(11,999)
Other assets	(210,881)	14,945
Accounts payable and accruals	(30,313)	(46,344)
Accrued employee compensation	(18,779)	(5,131)
Estimated third-party payer settlements, net	8,955	3,506
Deferred revenues	4,053	17,405
Other current liabilities	38,327	4,762
Retirement benefits	2,280	1,228
Other long-term liabilities	167,658	(17,701)
Net cash used in operating activities	<u>(4,841)</u>	<u>(36,196)</u>
<b>Investing activities</b>		
Net sales and purchases of investments	21,148	179,267
Acquisitions, net of cash acquired	(21,300)	(139,148)
Net additions to property and equipment	<u>(16,171)</u>	<u>(29,475)</u>
Net cash (used in) provided by investing activities	<u>(16,323)</u>	<u>10,644</u>
<b>Financing activities</b>		
Proceeds from issuance of debt	-	40,000
Principal payments on debt	(2,000)	(2,000)
Payments on capital lease obligations	(1,335)	(1,092)
Contributions restricted for long-term investing	<u>2,097</u>	<u>380</u>
Net cash (used in) provided by financing activities	<u>(1,238)</u>	<u>37,288</u>
(Decrease) increase in cash and cash equivalents	(22,402)	11,736
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>\$ 215,053</u>	<u>\$ 202,687</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 MCI). 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

September 30, 2019

*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 WellQ, LLC. NCBH owns a 50% equity interest in MedCost LLC (MedCost), 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

### Selected Notes to Combined Financial Statements

September 30, 2019

*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); and Wake Air Care, LLC. WFHN owns a 14.86% equity interest in CHESS. 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.

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. 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.

**e. 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.

**f. 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.

***g. 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.

***h. 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.

***i. Reclassifications***

Certain reclassifications have been made to the financial statement presentation of the period ended September 30, 2018 to correspond to the current year's format. Net assets are unchanged due to these reclassifications.

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

September 30, 2019

Dollars in thousands.

## 2. Investments and Assets Whose Use is Limited

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

	September 30, 2019	June 30, 2019
Short-term investments <sup>(a)</sup>	\$ 78,369	\$ 87,734
Absolute return <sup>(b)</sup>	566,953	556,200
Commodities <sup>(c)</sup>	13,222	14,933
Fixed income <sup>(d)</sup>	302,359	304,775
Private equity <sup>(e)</sup>	609	626
Public equity <sup>(f)</sup>	400,592	409,735
Real estate <sup>(g)</sup>	7,923	7,929
Pooled investments held at WFU <sup>(h)</sup>	2,869	2,870
Beneficial interest in perpetual trusts and assets held by others <sup>(i)</sup>	20,686	20,833
Investments in equity-method affiliates <sup>(j)</sup>	54,461	53,493
Other <sup>(k)</sup>	108,516	105,894
Total investments and assets whose use is limited	<u>\$ 1,556,559</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.
- (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.



## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

September 30, 2019

Dollars in thousands.

- (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 September 30,	
	2019	2018
Interest and dividend income	\$ 6,599	\$ 6,352
Net realized losses	(1,796)	(21,953)
Net unrealized gains	5,296	36,263
	<u>\$ 10,099</u>	<u>\$ 20,662</u>

**WAKE FOREST BAPTIST**

## Selected Notes to Combined Financial Statements

September 30, 2019

*Dollars in thousands.*

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

	<b>Period Ended September 30,</b>	
	<b>2019</b>	<b>2018</b>
Operating:		
Investment return designated for current operations	\$ 6,117	\$ 6,670
Nonoperating:		
Net investment gains	3,982	13,992
Total investment return included in change in net assets without donor restrictions	10,099	20,662
With donor restrictions:		
Investment return in excess of amounts designated for current operations	1,955	1,949
Net investment losses	(300)	(132)
Total investment return included in change in net assets with donor restrictions	1,655	1,817
Total investment return	\$ 11,754	\$ 22,479

**WAKE FOREST BAPTIST**

## Selected Notes to Combined Financial Statements

September 30, 2019

*Dollars in thousands.*

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

	<b>September 30, 2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment funds	\$ 298,643	\$ 189,653	\$ 488,296
Funds designated for capital improvements	715,929	-	715,929
Funds designated for settlement of professional liability costs	20,882	-	20,882
Collateral for derivative agreements	4,460	-	4,460
Beneficial interests in perpetual trusts and assets held by others	-	20,686	20,686
Funds held under retirement and benefit plans	71,874	-	71,874
Bond proceeds held by trustee	1,321	-	1,321
Designated for restricted purposes	5,477	41,992	47,469
Assets whose use is limited	1,118,586	252,331	1,370,917
Other unrestricted investments			131,181
Investments in equity-method affiliates			54,461
Investments and assets whose use is limited			<u>\$ 1,556,559</u>

	<b>June 30, 2019</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
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**

## Selected Notes to Combined Financial Statements

September 30, 2019

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

Debt consists of the following:

	<b>September 30, 2019</b>	<b>June 30, 2019</b>
Series 2019A <sup>(a)</sup>	\$ 39,725	\$ 39,725
Series 2019A unamortized bond premium	6,078	6,185
Series 2019A bond issuance costs	(382)	(389)
Series 2019B <sup>(a)</sup>	105,905	105,905
Series 2019B bond issuance costs	(886)	(894)
Series 2019C <sup>(a)</sup>	60,605	60,605
Series 2019C bond issuance costs	(593)	(598)
Series 2016 <sup>(b)</sup>	150,000	150,000
Series 2016 bond issuance costs	(1,309)	(1,322)
Series 2012A <sup>(c)</sup>	118,405	118,405
Series 2012A unamortized bond premium	3,503	3,536
Series 2012A bond issuance costs	(873)	(881)
Series 2012B <sup>(c)</sup>	90,445	90,445
Series 2012B unamortized bond premium	11,073	11,269
Series 2012B bond issuance costs	(650)	(661)
Series 2012D <sup>(c)</sup>	80,000	80,000
Series 2012D bond issuance costs	(277)	(280)
Series 2010 <sup>(d)</sup>	241,635	241,635
Series 2010 unamortized bond premium	6,838	6,954
Series 2010 bond issuance costs	(2,009)	(2,043)
Total bonds payable	<u>907,233</u>	<u>907,596</u>
Line of credit <sup>(e)</sup>	44,199	44,199
Loan agreement <sup>(f)</sup>	7,172	7,672
Loan agreement <sup>(g)</sup>	34,500	36,000
Loan agreements <sup>(h)</sup>	4,094	4,259
External notes <sup>(i)</sup>	2,328	2,469
Capital leases <sup>(j)</sup>	137	728
Capital lease <sup>(k)</sup>	40,803	41,077
Capital lease <sup>(l)</sup>	21,766	21,800
Loan agreements <sup>(m)</sup>	<u>7,142</u>	<u>7,273</u>
Total notes payable and capital leases	<u>162,141</u>	<u>165,477</u>
Total debt	1,069,374	1,073,073
Less current portion	<u>(99,810)</u>	<u>(101,879)</u>
Total long-term debt	<u>\$ 969,564</u>	<u>\$ 971,194</u>

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

September 30, 2019

Dollars in thousands.

Debt is reflected in the combined balance sheets as follows:

	<u>September 30, 2019</u>	<u>June 30, 2019</u>
Current portion of long-term debt	\$ 99,810	\$ 101,879
Notes payable and capital leases, net of current portion	77,981	79,246
Bonds payable, net of current portion	<u>891,583</u>	<u>891,948</u>
Total debt	<u>\$ 1,069,374</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.

- (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

### Selected Notes to Combined Financial Statements

September 30, 2019

*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) **Capital leases** – comprised of capital 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) **Capital lease** – represents a capital 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) **Capital lease** – represents a capital 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 capital 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)

September 30, 2019

Dollars in thousands.

	NCBH	WFOHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group <sup>(1)</sup>
<b>Assets</b>														
Current assets:														
Cash and cash equivalents	\$ 48,474	\$ 28,347	\$ 36,915	\$ 15,681	\$ 10,679	\$ 7,123	\$ 6,072	\$ 60,748	\$ 1,014	\$ -	\$ 215,053	\$ (43,917)	\$ -	\$ 171,136
Patient receivables, net	191,436	82,151	43,401	11,097	9,324	7,454	-	9,477	1,382	-	355,722	(17,808)	-	337,914
Accounts, grants, and notes receivable, net	152,865	62,413	13,261	46,769	25,352	528	3	13,258	9,273	(181,430)	142,292	65,560	(8,629)	199,223
Other current assets	71,221	11,174	7,271	1,987	2,084	5,080	-	36,049	113	(34,904)	100,075	6,433	-	106,508
Total current assets	463,996	184,085	100,848	75,534	47,439	20,185	6,075	119,532	11,782	(216,334)	813,142	10,268	(8,629)	814,781
Accounts, grants, and notes receivable, net, long-term	10,812	21,347	698	534	-	-	-	1,207	-	(11,322)	23,276	(100)	-	23,176
Investments and assets whose use is limited	905,062	775,465	50,224	-	-	17,591	404	43,454	144	(235,785)	1,556,559	(59,169)	43,140	1,540,530
Property and equipment, net	680,768	353,403	205,916	47,336	8,290	45,664	411	34,894	5,572	-	1,382,254	(73,735)	-	1,308,519
Goodwill	36,105	1,505	-	420	-	40,043	-	15,952	-	-	94,025	(92,101)	-	1,924
Other assets	34,825	153,350	10,803	459	300	702	-	33,483	-	-	233,922	(6,544)	-	227,378
Total assets	\$ 2,131,568	\$ 1,489,155	\$ 368,489	\$ 124,283	\$ 56,029	\$ 124,185	\$ 6,890	\$ 248,522	\$ 17,498	\$ (463,441)	\$ 4,103,178	\$ (221,381)	\$ 34,511	\$ 3,916,308
<b>Liabilities and Net Assets</b>														
Current liabilities:														
Accounts payable and accruals	\$ 51,290	\$ 16,249	\$ 49,525	\$ 1,902	\$ 2,511	\$ 4,129	\$ 404	\$ 129,671	\$ 1,230	\$ (130,212)	\$ 126,699	\$ (21,267)	\$ (8,629)	\$ 96,803
Accrued employee compensation	41,464	130,901	5,622	2,020	1,097	1,624	-	12,492	221	-	195,441	(3,664)	-	191,777
Estimated third-party payer settlements	66,172	-	4,398	1,751	757	233	-	-	-	-	73,311	(233)	-	73,078
Deferred revenue	749	61,061	-	-	1	-	3	-	138	-	61,952	(247)	-	61,705
Current portion of long-term debt	45,071	16,042	532	-	-	142	-	37,501	522	-	99,810	(1,098)	-	98,712
Other current liabilities	64,534	33,208	4,998	714	409	42,817	-	36,274	5	(76,561)	106,398	(1,869)	-	104,529
Total current liabilities	269,280	257,461	65,075	6,387	4,775	48,945	407	215,938	2,116	(206,773)	663,611	(28,378)	(8,629)	626,604
Notes payable, capital leases, and line of credit, net of current portion	-	47,941	6,610	-	-	21,624	-	-	1,806	-	77,981	(29,585)	-	48,396
Bonds payable, net of current portion	509,239	141,824	-	-	-	-	-	240,520	-	-	891,583	-	-	891,583
Retirement benefits	98,573	25,920	-	-	-	3,912	-	-	-	-	128,405	(3,912)	-	124,493
Other long-term liabilities	42,704	202,439	9,250	386	332	539	-	70,139	49	(20,882)	304,956	(2,936)	-	302,020
Total liabilities	919,796	675,585	80,935	6,773	5,107	75,020	407	526,597	3,971	(227,655)	2,066,536	(64,811)	(8,629)	1,993,096
Net assets:														
Without donor restrictions:														
Wake Forest Baptist	1,180,002	572,772	259,110	116,817	50,922	49,165	5,982	(280,968)	13,527	(226,835)	1,740,494	(156,186)	53,271	1,637,579
Noncontrolling interest in affiliates	19,082	306	11	-	-	-	-	-	-	(8,951)	10,448	-	(10,131)	317
Total net assets without donor restrictions	1,199,084	573,078	259,121	116,817	50,922	49,165	5,982	(280,968)	13,527	(235,786)	1,750,942	(156,186)	43,140	1,637,896
With donor restrictions	12,688	240,492	28,433	693	-	-	501	2,893	-	-	285,700	(384)	-	285,316
Total net assets	1,211,772	813,570	287,554	117,510	50,922	49,165	6,483	(278,075)	13,527	(235,786)	2,036,642	(156,570)	43,140	1,923,212
Total liabilities and net assets	\$ 2,131,568	\$ 1,489,155	\$ 368,489	\$ 124,283	\$ 56,029	\$ 124,185	\$ 6,890	\$ 248,522	\$ 17,498	\$ (463,441)	\$ 4,103,178	\$ (221,381)	\$ 34,511	\$ 3,916,308

<sup>(1)</sup> 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 September 30, 2019

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 <sup>(1)</sup>
<b>Changes in net assets without donor restrictions:</b>														
<b>Operating revenues and support</b>														
Net patient service revenue	\$ 441,813	\$ 164,264	\$ 83,543	\$ 29,202	\$ 19,284	\$ 17,289	\$ 1,855	\$ 28,972	\$ 3,517	\$ -	\$ 789,739	\$ (49,516)	\$ -	\$ 740,223
Gifts, grants, and contracts	456	46,347	41	880	-	124	29	20	-	-	47,897	(294)	-	47,603
Net student tuition and fees	273	9,868	-	-	-	-	-	-	-	-	10,141	-	-	10,141
Investment return designated for current operations	321	5,711	-	-	-	-	-	5	80	-	6,117	(401)	-	5,716
Other sources	15,463	61,444	1,853	603	108	214	-	3,134	5	(56,639)	26,185	(14,296)	-	11,889
Net assets released from restrictions	8,519	8,570	665	-	-	-	16	-	-	-	17,770	-	-	17,770
<b>Total operating revenues and support</b>	<b>466,845</b>	<b>296,204</b>	<b>86,102</b>	<b>30,685</b>	<b>19,392</b>	<b>17,627</b>	<b>1,900</b>	<b>32,131</b>	<b>3,602</b>	<b>(56,639)</b>	<b>897,849</b>	<b>(64,507)</b>	<b>-</b>	<b>833,342</b>
<b>Operating expenses</b>														
Salaries and wages	148,149	174,035	29,714	9,786	5,701	9,071	-	19,263	741	1,018	397,478	(29,175)	-	368,303
Employee benefits	42,970	24,590	8,356	2,679	1,325	2,695	-	3,907	120	271	86,913	(6,760)	-	80,153
Purchased services	91,570	40,722	11,464	2,988	1,551	2,707	1,325	5,948	1,277	(55,480)	104,072	(12,317)	-	91,755
Clinical and laboratory supplies	114,142	21,514	21,690	5,224	3,831	2,830	-	3,506	105	-	172,842	(6,480)	-	166,362
Other operating expenses	39,312	21,976	5,404	2,174	2,566	2,115	279	4,228	376	(2,448)	75,982	(13,910)	-	62,072
Depreciation	24,412	10,160	3,734	1,730	631	906	20	541	304	-	42,438	(1,496)	-	40,942
Financing costs	5,005	1,922	85	-	-	221	-	1,946	15	-	9,194	(314)	-	8,880
<b>Total operating expenses</b>	<b>465,560</b>	<b>294,919</b>	<b>80,447</b>	<b>24,581</b>	<b>15,605</b>	<b>20,545</b>	<b>1,624</b>	<b>39,339</b>	<b>2,938</b>	<b>(56,639)</b>	<b>888,919</b>	<b>(70,452)</b>	<b>-</b>	<b>818,467</b>
Operating excess (deficiency) of revenues and gains over expenses and losses	1,285	1,285	5,655	6,104	3,787	(2,918)	276	(7,208)	664	-	8,930	5,945	-	14,875
<b>Nonoperating gains (losses)</b>														
Gains (losses) from equity-method affiliates	4,228	3,707	(57)	-	-	-	-	914	-	(7,861)	931	(242)	(2,969)	(2,280)
Net investment gains (losses)	3,860	(269)	147	1	59	(27)	-	220	(9)	-	3,982	232	-	4,214
Net losses on interest rate swap valuation	-	(412)	(9)	-	-	-	-	-	-	-	(421)	9	-	(412)
Pension and postretirement costs	(2,343)	(106)	-	-	-	107	-	-	-	-	(2,342)	(107)	-	(2,449)
Other	(27)	450	-	-	-	(1)	-	-	-	-	422	1	-	423
Excess (deficiency) of revenues and gains over expenses and losses before noncontrolling interest	7,003	4,655	5,736	6,105	3,846	(2,839)	276	(6,074)	655	(7,861)	11,502	5,838	(2,969)	14,371

<sup>(1)</sup> 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 September 30, 2019

Dollars in thousands.

	NCBH	WFOHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group <sup>(1)</sup>
Excess (deficiency) of revenues and gains over expenses and losses before noncontrolling interest	\$ 7,003	\$ 4,655	\$ 5,736	\$ 6,105	\$ 3,846	\$ (2,839)	\$ 276	\$ (6,074)	\$ 655	\$ (7,861)	\$ 11,502	\$ 5,838	\$ (2,969)	\$ 14,371
Noncontrolling interest	(490)	(9)	5	-	-	-	-	-	-	278	(216)	-	212	(4)
Excess (deficiency) of revenues and gains over expenses and losses attributable to WFB	6,513	4,646	5,741	6,105	3,846	(2,839)	276	(6,074)	655	(7,583)	11,286	5,838	(2,757)	14,367
Pension and postretirement net adjustments	(24)	-	-	-	-	-	-	-	-	-	(24)	-	-	(24)
Other	-	-	-	-	-	-	-	-	(733)	550	(183)	733	(550)	-
Change in net assets without donor restrictions	6,489	4,646	5,741	6,105	3,846	(2,839)	276	(6,074)	(78)	(7,033)	11,079	6,571	(3,307)	14,343
<b>Changes in net assets with donor restrictions:</b>														
Contributions	1,826	8,101	1,047	-	-	-	-	-	-	-	10,974	(384)	-	10,590
Investment return designated for restricted purposes	-	1,955	-	-	-	-	-	-	-	-	1,955	-	-	1,955
Net assets released from restrictions	(8,519)	(8,570)	(665)	-	-	-	(16)	-	-	-	(17,770)	-	-	(17,770)
Net investment gains (losses)	10	(310)	-	-	-	-	-	-	-	-	(300)	-	-	(300)
Change in net assets with donor restrictions	(6,683)	1,176	382	-	-	-	(16)	-	-	-	(5,141)	(384)	-	(5,525)
Change in net assets attributable to WFB	(194)	5,822	6,123	6,105	3,846	(2,839)	260	(6,074)	(78)	(7,033)	5,938	6,187	(3,307)	8,818
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	1,192,690	813,264	287,543	117,510	50,922	49,165	6,483	(278,075)	13,527	(226,835)	2,026,194	(156,570)	53,271	1,922,895
Change in net assets attributable to noncontrolling interest	490	9	(5)	-	-	-	-	-	-	(278)	216	-	(212)	4
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	\$ 1,211,772	\$ 813,570	\$ 287,554	\$ 117,510	\$ 50,922	\$ 49,165	\$ 6,483	\$ (278,075)	\$ 13,527	\$ (235,786)	\$ 2,036,642	\$ (156,570)	\$ 43,140	\$ 1,923,212

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