



## QUARTERLY DISCLOSURE STATEMENT (UNAUDITED)

For the Period Ended June 30, 2020

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

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

**QUARTERLY DISCLOSURE**  
**June 30, 2020**

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

**SYSTEM FINANCIAL HIGHLIGHTS**

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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 fiscal year ending June 30, 2020. As of June 30, 2020, the Combined Group generated in the aggregate 92.6% of Wake Forest Baptist’s unrestricted revenue, and the Combined Group owned in the aggregate 94.2% of Wake Forest Baptist’s unrestricted net assets.*

Through the fourth quarter of fiscal year 2020, Wake Forest Baptist reported a gain in unrestricted net assets of \$31.5 million. This is comprised of operating margin of \$40.6 million or 1.1% and net non-operating losses of \$9.1 million.

***Operating Results***

Operating income for fiscal year 2020 was \$40.6 million, or 1.1%, compared to a prior year operating deficit of \$1.8 million, or -0.1%. Operating EBIDA Margin was \$230.7 million, or 6.4%, compared to prior year of \$185.2 million, or 5.5%.

Net patient service revenue was \$3.06 billion fiscal year-to-date compared to \$2.97 billion in prior year, an increase of 3.0%. Other revenues totaled \$544.9 million, an increase of \$134.9 million from prior year. In total, revenue increased by 6.6% over last year. Attached financial statements and accompanying notes provide detail on the impact of the COVID-19 pandemic and associated relief funds.

Salaries and benefits increased \$98.4 million or 5.4% from prior year. When compared against net revenue growth, salaries and benefits improved from 54.1% prior year to 53.5% in FY2020.

Purchased services were \$428.2 million, decreasing by \$9.6 million from the prior year.

Clinical and laboratory supplies increased \$69.2M, or 10.6% over prior year, and increased from 22.0% of net patient service revenue to 23.6%.

Depreciation and amortization increased \$6.6 million to \$158.8 million.

***Non-operating Results***

Wake Forest Baptist reported net non-operating loss of \$9.1 million through the fourth quarter, primarily due to pension and postretirement costs and adjustments partially offset by net investment gains.

**QUARTERLY DISCLOSURE**  
**June 30, 2020**

**FINANCIAL RATIOS – COMBINED GROUP**

The following statistics and ratio calculations are based on numbers for the **Combined Group** (i.e., Obligated Group Members and Designated Members) and do not include the activity or financial impact of non-designated members such as WFB – Wilkes Medical Center, and Wake Forest Health Network, LLC (the entity formerly known as Cornerstone Healthcare, LLC). A breakout of the Combined Group balance sheet and income statement can be found on pages FS-20 to FS-22 of the attached financial statements.

	<b>06/30/2020</b>	<b>06/30/2019</b>
<b>Unrestricted Cash and Investments (\$M) *</b>	\$ 1,580,602	\$ 1,383,720
<b>Unrestricted Cash-to-LT Debt</b>	157%	133%
<b>Days Cash on Hand</b>	184	169
<b>Total Debt-to-Capitalization</b>	37.7%	39.1%
<b>Historic Debt Service Coverage</b> <i>(Trailing Twelve Months)</i>	4.4	3.0

\* *Unrestricted cash and investments and associated ratios exclude \$183 million of CMS advanced payments received in FY2020.*

**UTILIZATION STATISTICS – COMBINED GROUP**

	<b>Twelve Months Ended</b>		<b>% Chg from Prior Year</b>
	<u>06/30/2020</u>	<u>06/30/2019</u>	
Case Mix Adjusted Equivalent Discharges	263,676	254,784	3.5%
Patient Days	322,583	320,261	0.7%
Inpatient Admissions	61,734	57,947	6.5%
Average Length of Stay	5.23	5.53	-5.4%
Average Length of Stay (Case Mix Adjusted)	2.79	2.92	-4.7%
Inpatient Operating Room Cases	19,435	19,028	2.1%
Outpatient Operating Room Cases	32,401	33,610	-3.6%
Total Operating Room Cases	51,836	52,638	-1.5%
Emergency Department Visits	190,516	199,071	-4.3%
Case Mix Index <i>(all payors using Medicare weights)</i>	1.8742	1.8940	-1.0%
RVUs	7,373,415	7,387,265	-0.2%
Outpatient Visits	1,665,043	1,657,376	0.5%



## **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 Year Ended June 30, 2020  
(Unaudited)**

**WAKE FOREST BAPTIST**  
**Combined Financial Statements**  
**Year Ended June 30, 2020**  
**(Unaudited)**

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**WAKE FOREST BAPTIST**

## Combined Balance Sheets

*Dollars in thousands.*

	<b>(Unaudited) June 30, 2020</b>	<b>(Audited) June 30, 2019</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 575,296	\$ 237,455
Patient receivables, net	314,583	353,566
Accounts, grants, and notes receivable, net	119,565	138,038
Other current assets	<u>108,883</u>	<u>106,622</u>
Total current assets	1,118,327	835,681
Accounts, grants, and notes receivable, net, long-term	22,380	23,334
Investments and assets whose use is limited	1,590,338	1,565,022
Property and equipment, net	1,340,417	1,408,318
Goodwill	94,025	94,025
Other assets	<u>274,541</u>	<u>23,041</u>
 Total assets	 <u>\$ 4,440,028</u>	 <u>\$ 3,949,421</u>
<b>Liabilities and Net Assets</b>		
Current liabilities:		
Accounts payable and accruals	\$ 135,925	\$ 157,012
Accrued employee compensation	246,802	214,220
Estimated third-party payer settlements, net	313,438	64,356
Deferred revenue	61,993	57,899
Current portion of long-term debt	65,383	101,879
Other current liabilities	<u>109,778</u>	<u>68,071</u>
Total current liabilities	933,319	663,437
Notes payable, finance leases, and line of credit, net of current portion	100,525	79,246
Bonds payable, net of current portion	864,071	891,948
Retirement benefits	160,520	126,125
Other long-term liabilities	<u>329,907</u>	<u>158,177</u>
 Total liabilities	 <u>2,388,342</u>	 <u>1,918,933</u>
Net assets:		
Without donor restrictions:		
Wake Forest Baptist	1,760,898	1,729,415
Noncontrolling interest in affiliates	<u>8,950</u>	<u>10,232</u>
Total net assets without donor restrictions	1,769,848	1,739,647
With donor restrictions	<u>281,838</u>	<u>290,841</u>
 Total net assets	 <u>2,051,686</u>	 <u>2,030,488</u>
 Total liabilities and net assets	 <u>\$ 4,440,028</u>	 <u>\$ 3,949,421</u>

**WAKE FOREST BAPTIST**

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

*Dollars in thousands.*

	<b>(Unaudited)</b> <b>Year Ended June 30,</b> <b>2020</b>	<b>(Audited)</b> <b>Year Ended June 30,</b> <b>2019</b>
<b>Changes in net assets without donor restrictions:</b>		
<b>Operating revenues and support</b>		
Net patient service revenue	\$ 3,060,352	\$ 2,972,052
Gifts, grants, and contracts	317,331	202,267
Net student tuition and fees	40,384	35,672
Investment return designated for current operations	24,617	25,897
Other sources	110,625	109,728
Net assets released from restrictions	51,910	36,386
	<u>3,605,219</u>	<u>3,382,002</u>
<b>Operating expenses</b>		
Salaries and wages	1,579,478	1,491,724
Employee benefits	348,675	338,053
Purchased services	428,153	437,726
Clinical and laboratory supplies	722,304	653,066
Other operating expenses	295,945	276,214
Depreciation	158,821	152,262
Financing costs	31,224	34,798
	<u>3,564,600</u>	<u>3,383,843</u>
Operating excess (deficiency) of revenues and gains over expenses and losses	40,619	(1,841)
<b>Nonoperating gains (losses)</b>		
Gains from equity-method affiliates	6,935	1,016
Net investment gains	19,618	37,943
Net losses on interest rate swap valuation	(1,391)	(1,041)
Contribution from business combination, net	-	(27,167)
Pension and postretirement costs	(9,369)	(6,413)
Other	(563)	1,838
	<u>55,849</u>	<u>4,335</u>
Excess of revenues and gains over expenses and losses before noncontrolling interest	\$ 55,849	\$ 4,335

**WAKE FOREST BAPTIST**

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

*Dollars in thousands.*

	<b>(Unaudited)</b> <b>Year Ended June 30,</b> <b>2020</b>	<b>(Audited)</b> <b>Year Ended June 30,</b> <b>2019</b>
Excess of revenues and gains over expenses and losses before noncontrolling interest	\$ 55,849	\$ 4,335
Noncontrolling interest	1,282	(2,272)
Excess of revenues and gains over expenses and losses attributable to Wake Forest Baptist	57,131	2,063
Pension and other postretirement net adjustments	(25,057)	(21,404)
Other	(591)	(639)
Change in net assets without donor restrictions	31,483	(19,980)
<b>Changes in net assets with donor restrictions:</b>		
Contributions	44,440	48,487
Investment return in excess of amounts designated for current operations	8,379	7,923
Net assets released from restrictions	(51,910)	(36,386)
Net investment losses	(9,516)	(2,406)
Actuarial gains on annuity obligations	170	60
Contribution from business combination, net	-	26,626
Other	(566)	(647)
Change in net assets with donor restrictions	(9,003)	43,657
Change in total net assets attributable to Wake Forest Baptist	22,480	23,677
Net assets attributable to Wake Forest Baptist at beginning of year	2,020,256	1,996,579
Net assets attributable to Wake Forest Baptist at end of year	2,042,736	2,020,256
Change in net assets attributable to noncontrolling interest	(1,282)	2,272
Net assets attributable to noncontrolling interest at beginning of year	10,232	7,960
Total net assets at end of year	\$ 2,051,686	\$ 2,030,488



**WAKE FOREST BAPTIST**

## Combined Statements of Cash Flows (Unaudited)

*Dollars in thousands.*

	<b>(Unaudited)</b> <b>Year Ended June 30,</b> <b>2020</b>	<b>(Audited)</b> <b>Year Ended June 30,</b> <b>2019</b>
<b>Operating activities and gains and losses</b>		
Change in net assets	\$ 21,198	\$ 25,949
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	158,821	152,262
Amortization of bond premium	(6,716)	(1,223)
Contribution from business combination, net	-	541
Gains from equity-method affiliates	(6,935)	(1,016)
Net investment gains	(43,098)	(69,357)
Losses in value of interest rate swaps, net	1,391	1,041
Gains on disposal of property and equipment	(355)	(161)
Contributions restricted for long-term investing	(6,877)	(4,103)
Changes in operating assets and liabilities:		
Patient receivables, net	38,983	(18,960)
Accounts, grants, and notes receivable, net	19,427	(15,318)
Other current assets	(2,261)	(15,698)
Other assets	(251,500)	9,089
Accounts payable and accruals	(21,087)	(21,276)
Accrued employee compensation	32,582	791
Estimated third-party payer settlements, net	249,082	(11,138)
Deferred revenues	4,094	7,604
Other current liabilities	41,709	1,389
Retirement benefits	34,395	26,542
Other long-term liabilities	191,639	2,500
Net cash provided by operating activities	<u>454,492</u>	<u>69,458</u>
<b>Investing activities</b>		
Net sales and purchases of investments	24,717	224,001
Acquisitions, net of cash acquired	(21,300)	(189,059)
Net additions to property and equipment	<u>(90,479)</u>	<u>(223,523)</u>
Net cash used in investing activities	<u>(87,062)</u>	<u>(188,581)</u>
<b>Financing activities</b>		
Proceeds from issuance of debt	607	286,673
Principal payments on debt	(33,516)	(120,171)
Payments on finance lease obligations	(3,557)	(4,978)
Contributions restricted for long-term investing	<u>6,877</u>	<u>4,103</u>
Net cash (used in) provided by financing activities	<u>(29,589)</u>	<u>165,627</u>
Increase in cash and cash equivalents	337,841	46,504
Cash and cash equivalents at beginning of year	<u>237,455</u>	<u>190,951</u>
Cash and cash equivalents at end of year	<u>\$ 575,296</u>	<u>\$ 237,455</u>
<b>Supplemental cash flow disclosure information:</b>		
Refinancing of long-term debt	\$ 267,843	\$ 45,655

## **1. Organization and Summary of Significant Accounting Policies**

### **a. Description of the Organization**

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

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

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

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

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

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

*Dollars in thousands.*

NCBH is a private, non-profit institution dedicated to the provision of healthcare. NCBH, which is based in Winston-Salem, North Carolina, consists of entities that provide services directly to patients and entities that support ancillary functions. NCBH consists of North Carolina Baptist Hospital; CareNet, Inc.; North Carolina Baptist Hospital Foundation; The Nursing Center at Oak Summit; Clemmons Medical Park LLC; and Wake WellQ, LLC. NCBH owns a 50% equity interest in MedCost, LLC, a preferred provider organization which through the shared ownership agreements is accounted for as equity-method investments in the combined financial statements. NCBH owns a 71.76% 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

June 30, 2020

Dollars in thousands.

WFUBMC is the sole member of Lexington Medical Center (LMC); Lexington Medical Center Foundation; Davie Medical Center (DMC); WRMC Hospital Operating Corporation (WMC); Northwest Community Care Network (NWCCN); FaithHealthInnovations, Inc.; Wake Forest Health Network, LLC (WFHN), previously known as Cornerstone Health Care, LLC; Wake Forest Healthcare Ventures, LLC; Wake Forest Emergency Providers (from April 2018 to May 2019); Wake Air Care, LLC; and WFBMC Technical Services, LLC. WFHN owns a 17.07% equity interest in CHES. Effective May 2020, Emtiro Health, LLC is a wholly owned affiliate of NWCCN. On September 1, 2018, WFUBMC acquired High Point Regional Health, Inc. (HPMC), a non-profit health system based in High Point, North Carolina. HPMC consists of High Point Regional Health, Inc.; High Point Regional Health Foundation; High Point Health Care Ventures, Inc.; Premier Surgery Center, LLC; Regional Wellness, LLC; Regional Physicians, LLC; Premier Imaging, LLC; and High Point Physical Therapy, LLC. HPMC has a 90% equity interest in High Point Surgery Center, LLC and a 50% equity interest in Guilford Adult Health, Inc. Wake Forest Healthcare Ventures, LLC dissolved on January 17, 2020.

WFUBMC owns a 40% equity interest in Wake Forest Baptist Health Care at Home, LLC, a 10% equity interest in Assuring Affordable Quality Healthcare in NC, LLC, a 55.51% equity interest in MS Land Holding Co., LLC, a 49.9% equity interest in Brightbridge, LLC, a 14.8% equity interest in Dioko Health Ventures I, LP, a 50% equity interest in Forsyth Community PCC, LLC, a 50% equity interest in Socius Health Solutions, LLC, an 8.33% equity interest in Provider Led Patient Center Care, LLC, a 50% equity interest in WELLQ, 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. *Effects of COVID-19 Pandemic on Operations***

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic which continues to spread throughout the United States and world. As a result of this pandemic and in an effort to preserve resources for patients infected with COVID-19, Wake Forest Baptist ceased elective surgeries during the period from mid-March 2020 to May 2020, resulting in significant unexpected revenue declines during that period.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) provided funding to the Department of Health and Human Services (DHHS) Public Health and Social Services Emergency Fund (Relief Fund), which provided funds to qualifying healthcare providers treating COVID-19 patients to replace lost revenues or reimburse for COVID-19-related costs. Wake Forest Baptist received approximately \$116M and recorded approximately \$114.5M of revenue from the Relief Fund within Gifts, Grants and Contracts revenue in the fourth quarter of fiscal year 2020. These Relief Fund payments are not subject to repayment but have certain terms and conditions in order to qualify for the grant funds. Additionally, DHHS Centers for Medicare and Medicaid Services (CMS) provided approximately \$183M of Medicare advance payments to Wake Forest Baptist, which are recorded in Estimated Third-party Payer Settlement liabilities; these advances will be recouped on remittances within one year of receipt. The coronavirus pandemic continues to evolve, therefore the ultimate impact to financial and operating results cannot be reasonably estimated at this time.

**d. *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.

**e. Leases**

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

**f. 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.

**g. 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.

**h. 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.

**i. 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.



**j. 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.

**2. Investments and Assets Whose Use is Limited**

Investments and assets whose use is limited consist of the following at June 30:

	<u>2020</u>	<u>2019</u>
Short-term investments <sup>(a)</sup>	\$ 97,752	\$ 87,734
Absolute return <sup>(b)</sup>	532,785	556,200
Commodities <sup>(c)</sup>	10,428	14,933
Fixed income <sup>(d)</sup>	339,745	304,775
Private equity <sup>(e)</sup>	610	626
Public equity <sup>(f)</sup>	398,852	409,735
Real estate <sup>(g)</sup>	6,035	7,929
Pooled investments held at WFU <sup>(h)</sup>	2,254	2,870
Beneficial interest in perpetual trusts and assets held by others <sup>(i)</sup>	19,696	20,833
Investments in equity-method affiliates <sup>(j)</sup>	62,917	53,493
Other <sup>(k)</sup>	119,264	105,894
Total investments and assets whose use is limited	<u>\$ 1,590,338</u>	<u>\$ 1,565,022</u>

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



## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

Dollars in thousands.

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

### Investment Return

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

	<u>2020</u>	<u>2019</u>
Interest and dividend income, net	\$ 25,248	\$ 28,009
Net realized gains (losses)	7,853	(16,884)
Net unrealized gains	<u>11,134</u>	<u>52,715</u>
	<u>\$ 44,235</u>	<u>\$ 63,840</u>

**WAKE FOREST BAPTIST**

## Selected Notes to Combined Financial Statements

June 30, 2020

*Dollars in thousands.*

Total investment return is reflected in the accompanying combined statements of operations and changes in net assets at June 30, is as follows:

	<u>2020</u>	<u>2019</u>
Operating:		
Investment return designated for current operations	\$ 24,617	\$ 25,897
Nonoperating:		
Net investment gains	<u>19,618</u>	<u>37,943</u>
Total investment return included in change in net assets without donor restrictions	<u>44,235</u>	<u>63,840</u>
With donor restrictions:		
Investment return in excess of amounts designated for current operations	8,379	7,923
Net investment losses	<u>(9,516)</u>	<u>(2,406)</u>
Total investment return included in change in net assets with donor restrictions	<u>(1,137)</u>	<u>5,517</u>
Total investment return	<u>\$ 43,098</u>	<u>\$ 69,357</u>

**WAKE FOREST BAPTIST**

## Selected Notes to Combined Financial Statements

June 30, 2020

Dollars in thousands.

Designations of investment and assets whose use is limited consist of the following at June 30:

	<b>2020</b>		
	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Endowment funds	\$ 289,446	\$ 187,042	\$ 476,488
Funds designated for capital improvements	758,528	-	758,528
Funds designated for settlement of professional liability costs	12,087	-	12,087
Collateral for derivative agreements	5,330	-	5,330
Beneficial interests in perpetual trusts and assets held by others	-	19,696	19,696
Funds held under retirement and benefit plans	78,865	-	78,865
Designated for restricted purposes	<u>6,233</u>	<u>42,076</u>	<u>48,309</u>
Assets whose use is limited	1,150,489	248,814	1,399,303
Other unrestricted investments			128,118
Investments in equity-method affiliates			<u>62,917</u>
Investments and assets whose use is limited			<u><u>\$ 1,590,338</u></u>

	<b>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	<u>5,448</u>	<u>47,802</u>	<u>53,250</u>
Assets whose use is limited	1,123,866	256,329	1,380,195
Other unrestricted investments			131,334
Investments in equity-method affiliates			<u>53,493</u>
Investments and assets whose use is limited			<u><u>\$ 1,565,022</u></u>

**WAKE FOREST BAPTIST**

## Selected Notes to Combined Financial Statements

June 30, 2020

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

Debt consists of the following:

	<b>June 30, 2020</b>	<b>June 30, 2019</b>
Series 2020 <sup>(a)</sup>	\$ 230,450	\$ -
Series 2020 bond issuance costs	(679)	-
Series 2019A <sup>(b)</sup>	39,540	39,725
Series 2019A unamortized bond premium	5,756	6,185
Series 2019A bond issuance costs	(362)	(389)
Series 2019B <sup>(b)</sup>	105,905	105,905
Series 2019B bond issuance costs	(864)	(894)
Series 2019C <sup>(b)</sup>	60,605	60,605
Series 2019C bond issuance costs	(577)	(598)
Series 2016 <sup>(c)</sup>	150,000	150,000
Series 2016 bond issuance costs	(1,273)	(1,322)
Series 2012A <sup>(d)</sup>	118,405	118,405
Series 2012A unamortized bond premium	3,403	3,536
Series 2012A bond issuance costs	(848)	(881)
Series 2012B <sup>(d)</sup>	86,165	90,445
Series 2012B unamortized bond premium	10,487	11,269
Series 2012B bond issuance costs	(615)	(661)
Series 2012D <sup>(d)</sup>	80,000	80,000
Series 2012D bond issuance costs	(268)	(280)
Series 2010 <sup>(e)</sup>	-	241,635
Series 2010 unamortized bond premium	-	6,954
Series 2010 bond issuance costs	-	(2,043)
Total bonds payable	<u>885,230</u>	<u>907,596</u>
Line of credit <sup>(f)</sup>	34,199	44,199
Loan agreement <sup>(g)</sup>	5,671	7,672
Loan agreement <sup>(h)</sup>	-	36,000
Loan agreements <sup>(i)</sup>	3,509	4,259
Loan agreement <sup>(j)</sup>	37,136	-
External notes <sup>(k)</sup>	2,120	2,469
Finance leases <sup>(l)</sup>	-	728
Finance lease <sup>(m)</sup>	39,966	41,077
Finance lease <sup>(n)</sup>	21,664	21,800
Loan agreements <sup>(o)</sup>	<u>484</u>	<u>7,273</u>
Total notes payable and finance leases	<u>144,749</u>	<u>165,477</u>
Total debt	1,029,979	1,073,073
Less current portion	<u>(65,383)</u>	<u>(101,879)</u>
Total long-term debt	<u>\$ 964,596</u>	<u>\$ 971,194</u>

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

Dollars in thousands.

Debt is reflected in the combined balance sheets as follows:

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Current portion of long-term debt	\$ 65,383	\$ 101,879
Notes payable and finance leases, net of current portion	100,525	79,246
Bonds payable, net of current portion	<u>864,071</u>	<u>891,948</u>
Total debt	<u>\$ 1,029,979</u>	<u>\$ 1,073,073</u>

- (a) **Series 2020 Revenue Refunding Bonds** – revenue refunding bonds issued by Wake Forest Baptist Obligated Group, representing funds borrowed by the entities pursuant to a loan agreement with the Public Finance Authority (“PFA”). As a conduit issuer, the PFA loans the debt proceeds to the borrower and the bonds are issued by the PFA 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 2020 bonds were issued in an aggregate principal amount of \$230,450 and mature in full in fiscal year 2033. The 2020 bonds refund the prior outstanding Series 2010 bonds and were issued in the Fixed Rate Mode and bear interest at a fixed rate of 2.31%. Per the bond agreements, the principal payments on the bonds are due on June 1 of each year beginning in 2021 in annual amounts ranging from \$13.6M to \$20.5M.

- (b) **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.

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

Dollars in thousands.

- (c) **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.
- (d) **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.

- (e) **Series 2010 Revenue Bonds** – the Series 2010 revenue bonds were refunded by the Series 2020 Revenue Refunding bonds and fully redeemed upon the June 1, 2020 principal payment. The bonds were originally issued by NCBH, representing funds borrowed by the entities pursuant to loan agreements with the NCMCC. Per the bond agreements, the principal and sinking fund payments on the bonds were made on June 1 of each year.
- (f) **Line of credit** – consists of an unsecured credit facility with a total borrowing capacity of \$200,000 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 April 7, 2021 and bears interest at one-month LIBOR plus 2.0% with a LIBOR floor of 1.0%.

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

Dollars in thousands.

- (g) **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.
- (h) **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. This loan agreement was refinanced in April 2020 and is no longer outstanding as of June 30, 2020.
- (i) **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.
- (j) **Loan agreement** – represents a taxable, unsecured loan agreement held by WFUBMC, WFUHS and NCBH as Borrowers, with a fixed rate of 1.88% to refinance previously outstanding loan agreements held by the Borrowers and owned subsidiaries. Principal payments and accrued interest are due monthly with a final maturity date of April 15, 2027.
- (k) **External notes** – includes various notes payable held by WFB affiliates, with interest rates ranging from 0% to 5.31% and final maturities in 2024.
- (l) **Finance leases** – comprised of finance lease obligations held by NCBH, maturing at various dates through 2019. The obligations have fixed interest rates of 3.1% and are secured by leased equipment.
- (m) **Finance lease** – represents a finance lease obligation of \$44,125 entered into by WFUHS related to the Bowman Gray Center for Medical Education with an initial term of 15 years and additional renewal options. The obligation has a fixed interest rate of 4.5%.
- (n) **Finance lease** – represents a finance lease obligation of \$21,911 entered into by WFUBMC and WMC related to assets leased from the Town of North Wilkesboro with an initial term of 30 years and additional renewal options. The obligation has a fixed interest rate of 4.1%.
- (o) **Loan agreements** – represents various notes payable and finance leases held by HPMC, with interest rates ranging from a fixed rate of 5.00% to variable one-month LIBOR plus a premium of 2.50% and final maturity dates between 2020 and 2026. The note payable with a balance of \$6,393 was refinanced in April 2020.

A new unsecured credit facility with a total borrowing capacity of \$100,000 was entered into in April 2020 to provide for the working capital needs of NCBH, WFUHS, and WFUBMC. The line of credit is due on April 7, 2021, and bears interest at one-month LIBOR plus 0.65% with a LIBOR floor of 1.0%. The facility is structured with WFUBMC as the Borrower and NCBH and WFUHS as Co-obligors. There is no outstanding balance on the facility as of June 30, 2020.

## WAKE FOREST BAPTIST

### Selected Notes to Combined Financial Statements

June 30, 2020

*Dollars in thousands.*

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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)

June 30, 2020

Dollars in thousands.

	NCBH	WFUHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group <sup>(1)</sup>
<b>Assets</b>														
Current assets:														
Cash and cash equivalents	\$ 271,556	\$ 106,870	\$ 69,432	\$ 37,288	\$ 30,120	\$ 8,391	\$ 7,863	\$ 40,994	\$ 2,782	\$ -	\$ 575,296	\$ (41,693)	\$ -	\$ 533,603
Patient receivables, net	172,438	73,317	35,053	8,491	8,335	7,802	-	8,321	826	-	314,583	(16,839)	-	297,744
Accounts, grants, and notes receivable, net	156,238	37,933	31,301	33,498	17,189	357	15	9,370	9,136	(175,472)	119,565	55,994	(6,907)	168,652
Other current assets	82,977	10,490	7,675	1,955	1,335	3,191	15	1,526	128	(409)	108,883	9,816	-	118,699
Total current assets	683,209	228,610	143,461	81,232	56,979	19,741	7,893	60,211	12,872	(175,881)	1,118,327	7,278	(6,907)	1,118,698
Accounts, grants, and notes receivable, net, long-term	341	20,490	526	168	-	-	-	855	-	-	22,380	(100)	-	22,280
Investments and assets whose use is limited	963,201	785,204	51,430	-	-	18,176	4	39,364	144	(267,185)	1,590,338	(61,451)	44,401	1,573,288
Property and equipment, net	650,406	344,639	203,739	46,242	7,144	47,593	659	34,920	5,075	-	1,340,417	(75,023)	-	1,265,394
Goodwill	36,105	1,505	-	420	-	40,043	-	15,952	-	-	94,025	(92,101)	-	1,924
Other assets	29,828	185,010	11,262	351	222	757	-	47,111	-	-	274,541	(54,230)	-	220,311
Total assets	\$ 2,363,090	\$ 1,565,458	\$ 410,418	\$ 128,413	\$ 64,345	\$ 126,310	\$ 8,556	\$ 198,413	\$ 18,091	\$ (443,066)	\$ 4,440,028	\$ (275,627)	\$ 37,494	\$ 4,201,895
<b>Liabilities and Net Assets</b>														
Current liabilities:														
Accounts payable and accruals	\$ 78,960	\$ 7,503	\$ 47,991	\$ 2,030	\$ 2,489	\$ 2,151	\$ 439	\$ 117,718	\$ 1,545	\$ (124,901)	\$ 135,925	\$ (28,787)	\$ (6,907)	\$ 100,231
Accrued employee compensation	52,180	171,281	7,190	2,341	1,470	2,195	-	9,939	206	-	246,802	(9,641)	-	237,161
Estimated third-party payer settlements, net	260,350	17,832	31,809	2,513	287	647	-	-	-	-	313,438	(647)	-	312,791
Deferred revenue	278	61,573	-	-	1	-	13	-	128	-	61,993	(237)	-	61,756
Current portion of long-term debt	45,826	17,854	96	-	-	162	-	929	516	-	65,383	(677)	-	64,706
Other current liabilities	32,528	38,562	4,078	722	463	39,557	-	32,747	14	(38,893)	109,778	(10,658)	-	99,120
Total current liabilities	470,122	314,605	91,164	7,606	4,710	44,712	452	161,333	2,409	(163,794)	933,319	(50,647)	(6,907)	875,765
Notes payable, finance leases, and line of credit, net of current portion	21,963	49,197	388	-	-	21,502	-	5,870	1,605	-	100,525	(23,107)	-	77,418
Bonds payable, net of current portion	488,081	135,411	-	-	-	-	-	240,579	-	-	864,071	-	-	864,071
Retirement benefits	128,843	26,162	-	-	-	5,515	-	-	-	-	160,520	(5,515)	-	155,005
Other long-term liabilities	33,301	220,552	10,199	254	295	576	-	76,768	49	(12,087)	329,907	(42,005)	-	287,902
Total liabilities	1,142,310	745,927	101,751	7,860	5,005	72,305	452	484,550	4,063	(175,881)	2,388,342	(121,274)	(6,907)	2,260,161
Net assets:														
Without donor restrictions:														
Wake Forest Baptist	1,192,939	576,329	279,286	120,237	59,313	54,005	7,787	(287,159)	14,028	(255,867)	1,760,898	(154,209)	52,783	1,659,472
Noncontrolling interest in affiliates	19,700	550	18	-	-	-	-	-	-	(11,318)	8,950	-	(8,382)	568
Total net assets without donor restrictions	1,212,639	576,879	279,304	120,237	59,313	54,005	7,787	(287,159)	14,028	(267,185)	1,769,848	(154,209)	44,401	1,660,040
With donor restrictions														
	8,141	242,652	29,363	316	27	-	317	1,022	-	-	281,838	(144)	-	281,694
Total net assets	1,220,780	819,531	308,667	120,553	59,340	54,005	8,104	(286,137)	14,028	(267,185)	2,051,686	(154,353)	44,401	1,941,734
Total liabilities and net assets	\$ 2,363,090	\$ 1,565,458	\$ 410,418	\$ 128,413	\$ 64,345	\$ 126,310	\$ 8,556	\$ 198,413	\$ 18,091	\$ (443,066)	\$ 4,440,028	\$ (275,627)	\$ 37,494	\$ 4,201,895

<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)

Year Ended June 30, 2020

Dollars in thousands.

	NCBH	WFUHS	HPMC	LMC	DMC	WMC	NWCCN	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non- Designated Entities	Eliminations	Total Combined Group <sup>(1)</sup>
<b>Changes in net assets without donor restrictions:</b>														
<b>Operating revenues and support:</b>														
Net patient service revenue	\$ 1,723,582	\$ 631,338	\$ 322,013	\$ 104,927	\$ 77,244	\$ 70,240	\$ 7,028	\$ 110,660	\$ 13,320	\$ -	\$ 3,060,352	\$ (193,189)	\$ -	\$ 2,867,163
Gifts, grants, and contracts	77,746	213,651	6,195	3,163	1,622	11,275	232	3,445	2	-	317,331	(12,537)	-	304,794
Net student tuition and fees	1,668	38,716	-	-	-	-	-	-	-	-	40,384	-	-	40,384
Investment return designated for current operations	1,288	23,002	-	-	-	-	-	7	320	-	24,617	(1,606)	-	23,011
Other sources	62,970	230,325	7,570	1,944	548	1,128	-	14,523	355	(208,738)	110,625	(60,794)	-	49,831
Net assets released from restrictions	13,666	35,016	1,356	-	-	-	200	1,672	-	-	51,910	-	-	51,910
<b>Total operating revenues and support</b>	<b>1,880,920</b>	<b>1,172,048</b>	<b>337,134</b>	<b>110,034</b>	<b>79,414</b>	<b>82,643</b>	<b>7,460</b>	<b>130,307</b>	<b>13,997</b>	<b>(208,738)</b>	<b>3,605,219</b>	<b>(268,126)</b>	<b>-</b>	<b>3,337,093</b>
<b>Operating expenses:</b>														
Salaries and wages	595,873	679,519	119,404	39,599	24,431	37,137	-	76,920	2,753	3,842	1,579,478	(117,064)	-	1,462,414
Employee benefits	174,001	101,692	29,991	11,094	5,719	9,888	-	14,883	489	918	348,675	(25,391)	-	323,284
Purchased services	358,548	168,284	47,402	12,165	5,989	9,715	4,708	18,737	4,875	(202,270)	428,153	(44,316)	-	383,837
Clinical and laboratory supplies	494,686	86,674	78,557	23,348	18,299	10,510	-	9,835	395	-	722,304	(24,282)	-	698,022
Other operating expenses	145,392	88,109	23,937	8,886	10,894	8,149	1,449	18,987	1,370	(11,228)	295,945	(56,949)	-	238,996
Depreciation	94,317	37,154	13,148	5,419	2,016	3,479	79	2,192	1,017	-	158,821	(5,721)	-	153,100
Financing costs	15,243	7,756	287	-	-	884	-	7,000	54	-	31,224	(1,198)	-	30,026
<b>Total operating expenses</b>	<b>1,878,060</b>	<b>1,169,188</b>	<b>312,726</b>	<b>100,511</b>	<b>67,348</b>	<b>79,762</b>	<b>6,236</b>	<b>148,554</b>	<b>10,953</b>	<b>(208,738)</b>	<b>3,564,600</b>	<b>(274,921)</b>	<b>-</b>	<b>3,289,679</b>
Operating excess (deficiency) of revenues and gains over expenses and losses	2,860	2,860	24,408	9,523	12,066	2,881	1,224	(18,247)	3,044	-	40,619	6,795	-	47,414
<b>Nonoperating gains (losses)</b>														
Gains (losses) from equity-method affiliates	22,498	19,915	(72)	-	-	-	860	4,216	-	(40,482)	6,935	(1,173)	(486)	5,276
Net investment gains (losses)	30,790	(14,332)	1,213	2	171	559	(3)	1,476	(258)	-	19,618	(1,163)	-	18,455
Net losses on interest rate swap valuation	-	(1,319)	(72)	-	-	-	-	-	-	-	(1,391)	72	-	(1,319)
Pension and postretirement costs	(9,372)	(424)	-	-	-	427	-	-	-	-	(9,369)	(427)	-	(9,796)
Other	(2,728)	1,824	442	-	-	(1)	-	(100)	-	-	(563)	216	-	(347)
Excess (deficiency) of revenues and gains over expenses and losses before noncontrolling interest	44,048	8,524	25,919	9,525	12,237	3,866	2,081	(12,655)	2,786	(40,482)	55,849	4,320	(486)	59,683

<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

Year Ended June 30, 2020

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	\$ 44,048	\$ 8,524	\$ 25,919	\$ 9,525	\$ 12,237	\$ 3,866	\$ 2,081	\$ (12,655)	\$ 2,786	\$ (40,482)	\$ 55,849	\$ 4,320	\$ (486)	\$ 59,683
Noncontrolling interest	(1,108)	(253)	(2)	-	-	-	-	-	-	2,645	1,282	-	(1,537)	(255)
Excess (deficiency) of revenues and gains over expenses and losses attributable to WFB	42,940	8,271	25,917	9,525	12,237	3,866	2,081	(12,655)	2,786	(37,837)	57,131	4,320	(2,023)	59,428
Equity transfer to affiliate	(190)	(200)	-	-	-	-	-	390	-	-	-	-	-	-
Pension and postretirement net adjustments	(23,324)	132	-	-	-	(1,865)	-	-	-	-	(25,057)	1,865	-	(23,192)
Other	-	-	-	-	-	-	-	-	(2,363)	1,772	(591)	2,363	(1,772)	-
Change in net assets without donor restrictions	19,426	8,203	25,917	9,525	12,237	2,001	2,081	(12,265)	423	(36,065)	31,483	8,548	(3,795)	36,236
<b>Changes in net assets with donor restrictions:</b>														
Contributions	2,373	39,370	2,670	-	27	-	-	-	-	-	44,440	(144)	-	44,296
Investment return in excess of amounts designated for current operations	6	8,373	-	-	-	-	-	-	-	-	8,379	-	-	8,379
Net assets released from restrictions	(13,666)	(35,016)	(1,356)	-	-	-	(200)	(1,672)	-	-	(51,910)	-	-	(51,910)
Net investment gains (losses)	57	(9,573)	-	-	-	-	-	-	-	-	(9,516)	-	-	(9,516)
Actuarial gains on annuity obligations	-	170	-	-	-	-	-	-	-	-	170	-	-	170
Other	-	12	(2)	(377)	-	-	-	(199)	-	-	(566)	-	-	(566)
Change in net assets with donor restrictions	(11,230)	3,336	1,312	(377)	27	-	(200)	(1,871)	-	-	(9,003)	(144)	-	(9,147)
Change in net assets attributable to WFB	8,196	11,539	27,229	9,148	12,264	2,001	1,881	(14,136)	423	(36,065)	22,480	8,404	(3,795)	27,089
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 year	1,201,080	818,981	308,649	120,553	59,340	54,005	8,104	(286,137)	14,028	(255,867)	2,042,736	(154,353)	52,783	1,941,166
Change in net assets attributable to noncontrolling interest	1,108	253	2	-	-	-	-	-	-	(2,645)	(1,282)	-	1,537	255
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 year	\$ 1,220,780	\$ 819,531	\$ 308,667	\$ 120,553	\$ 59,340	\$ 54,005	\$ 8,104	\$ (286,137)	\$ 14,028	\$ (267,185)	\$ 2,051,686	\$ (154,353)	\$ 44,401	\$ 1,941,734

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