Wake Forest™
Baptist Medical Center

QUARTERLY DISCLOSURE STATEMENT (UNAUDITED)

For the Period Ended September 30, 2015

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 Refunding Bonds (FRNs)	2012C
	Health Care Facilities Revenue Bonds (DP)	2012D

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Comments below are based on combined results of Wake Forest Baptist Medical Center ("Wake Forest Baptist" or "WFB") (including those entities not obligated on the Bonds) for the three months ended September 30, 2015. Effective March 26, 2011, North Carolina Baptist Hospital, Wake Forest University Health Sciences, and Wake Forest University Baptist Medical Center formed a single obligated group under the North Carolina Baptist Hospital Master Trust Indenture. As of September 30, 2015, the Combined Group generated in the aggregate 99.6% of Wake Forest Baptist's unrestricted revenue, and the Combined Group owned in the aggregate 97.3% of Wake Forest Baptist's unrestricted net assets.

QUARTERLY HIGHLIGHTS

Wake Forest Baptist is a national leader in patient quality and is continuing the transformation of its operating and cost structure to leverage the quality of its clinical faculty and staff. Wake Forest Baptist is honored to have 325 physicians named to the prestigious 2015-2016 "Best Doctors in America" list; this is a 17 percent increase over last year. The Wake Forest Baptist physicians on this list work in 37 specialties; 59 of the doctors are pediatric specialists at Brenner Children's Hospital, part of Wake Forest Baptist. North Carolina has 1,690 physicians on the 2015-2016 Best Doctors list and 23% of those doctors are from Wake Forest Baptist.

In the first quarter of fiscal year 2016, Wake Forest Baptist reported a loss in unrestricted net assets of $44.3 million. This loss is comprised of operating income of $12.6 million (2.2% operating margin) and net non-operating losses of $56.9 million primarily attributed to first quarter investment losses.

The sections below provide context regarding underlying financial performance for the three months ending September 30, 2015.

Revenues and Operating Performance

- **Net Revenues:** Total net revenues were $567.2 million, 10.4% higher than the prior year. Underlying patient revenues improved 12.6% over the same period last year due to growth in clinical volumes and yield improvements.

- **Operating Performance:** Operating income through first quarter was $12.6 million or 2.2% compared to prior year of 1.2%. Year-to-date operating EBIDA Margin was $48.8 million or 8.6% compared to prior year of 8.5%.

Utilization

Wake Forest Baptist generated overall clinical volume growth with a 9.7% year over year growth in case mix adjusted equivalent discharges (CMAEDs). Significant focus has been placed on improving patient access and enhancing provider throughput.

- **Inpatient Utilization:** System inpatient admissions increased by 2.6% compared to prior year. This was driven by growth in patient access marked by growth in emergency department visits and ambulatory clinic visits.

- **Surgical Volumes:** Operating room cases across the health system increased by 0.3% over prior year. Consistent with the strategy to migrate operating room volume from inpatient to outpatient, growth in the outpatient setting was 2.9% while inpatient operating cases softened by 4.4%. Higher case volume was primarily driven by the growth of the new Davie Medical Center, the expansion of ambulatory facilities and operating room capacity management strategies.

- **Emergency Department:** System Emergency Department visits of 39,934 represented a 1.8% increase over prior year. The expansion of Wake Forest Baptist multi-specialty clinics and urgent care centers (Clemmons, Davie, etc.) increased access points for care and provides appropriate care settings while supporting growth.

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- **Outpatient Volumes:** Outpatient volumes continued to show strong growth with an 11.7% increase over the prior year. This growth is attributable to improvements in ambulatory and diagnostics access, clinician productivity, expansion of outpatient facilities, and pricing strategies.

Operational Performance / Efficiency

- **Length of Stay:** Average Length of Stay was 5.70 days for the three months ending September 30th, representing a 0.2% improvement from prior year. Case Mix Adjusted Average Length of Stay increased by 0.3% to 2.94 days.

- **Productivity:** Staffing productivity for system hospitals was 89.8 paid hours per CMAED, an improvement of 3.6% from prior year's comparable 93.1 paid hours per CMAED.

Balance Sheet

- **Liquidity:** Balance sheet remains solid with Days Cash on Hand of 259 and Debt-to-Capitalization of 34.6%.

- **Investment Performance:** Wake Forest Baptist had total investment losses of $49.0 million due to equity market draw downs in the first quarter.

- **Debt Structure/Line of Credit:** Wake Forest Baptist has an unsecured line of credit to provide up to $125 million for the working capital needs of the organization, and to handle any potential cash flow disruptions associated with ICD-10. As of September 30th, the facility had an outstanding balance of $11.5 million.

- **Capital Expenditures:** Capital expenditures through September 30th were $22.6 million and primarily related to IT network and data center infrastructure upgrades, routine equipment, and facility renovations.

Key Strategic Investments

- Wake Forest Baptist began construction of a 50-bed inpatient facility at Davie Medical Center − Bermuda Run campus. Construction of the three-story, 78,220 square foot building will take 18 months, with an opening date expected in spring of 2017 and an estimated cost of $47 million. The new building relocates inpatient services from the Mocksville campus to the Bermuda Run campus, consolidating services in one location. In addition to 50 general medical-surgical beds, the addition will also have a cafeteria, an inpatient pharmacy and a chapel as well as physician offices.

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FINANCIAL RATIOS

The following ratio calculations are based on numbers for the **Combined Group** (i.e., Obligated Group Members and Designated Members). These numbers will differ slightly from total Wake Forest Baptist (discussed on prior pages). 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.

Liquidity – Combined Group

The following table sets forth, as of September 30, 2015 and 2014, the Combined Group's operating cash, Board-designated funds for capital expansion and short-term investments. Excluded are trustee-held funds, donor restricted funds, and pension assets. All investments are shown at market value.

	9/30/2015	9/30/2014
Unrestricted Cash & cash equivalents	$ 332,961	$ 128,305
Investments and assets whose use is limited	1,111,187	1,057,502
Total cash and investments	$ 1,444,148	$ 1,185,807
Bonds payable	$ 662,593	$ 677,299
Notes payable and capital leases	94,453	140,686
Less: Short-term debt	-	-
Long-term Indebtedness	$ 757,046	$ 817,985
Unrestricted Cash-to-Debt	**191%**	**145%**
Days Cash on Hand	**254**	**230**

**Note: Long-term indebtedness excludes debt with a maturity of less than one year.*

The following table summarizes the current allocation of board designated and other unrestricted fund investments (as of September 30, 2015) for the Combined Group.

	Actual
Equity	33%
Fixed Income	36%
Absolute Return	24%
Real Assets	7%
Total	**100%**

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Capitalization – Combined Group

The capitalization for the Combined Group for the periods ended September 30, 2015 and 2014 is set forth in the following table.

	9/30/2015	9/30/2014
Revenue Bonds	662,593	677,299
Other Notes Payable	85,537	140,123
Capital Leases	8,916	563
Total Debt	757,046	817,985
Unrestricted Net Assets	1,392,899	1,406,433
Total Capitalization	2,149,945	2,224,418
Total Debt as a % of Total Capitalization	35.2%	36.8%

Debt Service Coverage Ratio – Combined Group

The Coverage Ratio (calculated upon actual annual debt service) reported below is for the 12-month period ended September 30, 2015 (i.e., trailing four quarter calculation). The Coverage Ratio is the ratio determined by dividing Income Available for Debt Service for such annual period by the debt service requirement for such period. The Combined Group does not have a quarterly Coverage Ratio reporting requirement, but voluntarily provides this information on a rolling 12-month basis.

	12 months ending 9/30/2015
Operating Income	43,142
Unrestricted Contributions	0
Interest & Dividend Income	14,059
Depreciation and Amortization	119,695
Financing Costs	25,722
Income Available for Debt Service	**202,618**
Actual Debt Service	**46,951**
Debt Service Coverage Ratio	**4.3**

Wake Forest™ Baptist Medical Center

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UTILIZATION STATISTICS

Utilization Statistics – Combined Group

	Three Months Ended		
	9/30/2015	9/30/2014	% Chg from Prior Year
Case Mix Adjusted Equivalent Discharges	48,501	44,199	9.7%
Patient Days	62,883	61,420	2.4%
Inpatient Admissions	11,029	10,749	2.6%
Average Length of Stay	5.70	5.71	-0.2%
Average Length of Stay (Case Mix Adjusted)	2.94	2.93	0.3%
Inpatient Operating Room Cases	3,843	4,019	-4.4%
Outpatient Operating Room Cases	7,320	7,115	2.9%
Total Operating Room Cases	11,163	11,134	0.3%
Emergency Department Visits	39,934	39,244	1.8%
Case Mix Index *(all payors using Medicare weights)*	1.9423	1.9523	-0.5%
RVUs	1,390,677	1,346,428	3.3%

CURRENT OPERATING PROFILE

The information within this disclosure describes an integrated academic medical center based in Winston-Salem, North Carolina, commonly known as Wake Forest Baptist. The term "*Wake Forest Baptist*" refers to, collectively:

- Wake Forest University Baptist Medical Center ("*WFBMC*"), North Carolina Baptist Hospital ("*NCBH*") and Wake Forest University Health Sciences ("*WFUHS*" and with WFBMC and NCBH, collectively, the "*Members of the Obligated Group*");

- the Designated Members are all wholly controlled subsidiaries and include Lexington Medical Center, Davie Medical Center, 17 dialysis center corporations, and various corporations and other legal entities (such Designated Members and the Members of the Obligated Group are, collectively, referred to as the "*Combined Group*"), and

- all other entities and operations that are consolidated into the combined financial statements

Wake Forest Baptist is an integrated clinical and academic enterprise that includes a tertiary and quaternary acute care regional referral center, three hospital facilities with more than 1,000 acute care, rehab and psych beds, more than 900 medical faculty members and major teaching and research operations, including:

- a medical center currently licensed for 885 acute care beds, which is a tertiary and quaternary acute care regional referral center with a service area population of over 2,500,000 ("WFB - Main Campus")

- a hospital facility located approximately 26 miles south of WFB – Main Campus in Lexington, North Carolina, currently licensed for 94 acute care beds

- a hospital facility located approximately 25 miles southwest of WFB – Main Campus in Mocksville, North Carolina, currently licensed for 25 acute care beds

QUARTERLY DISCLOSURE
September 30, 2015

Wake Forest Baptist handles over 1.1 million patient visits annually and employs over 1,000 physicians. Its degree-granting educational programs annually train over 1,800 students in health care-related fields and it receives nearly $200 million annually in research funding from federal and state agencies, industry and other sources. Wake Forest Baptist also has extensive decentralized ambulatory operations as well as a renal dialysis program with 17 locations and $60 million of annual revenue.

The Obligated Group

The following entities are currently Members of the Obligated Group:

North Carolina Baptist Hospital. NCBH owns the hospital component of WFB - Main Campus, known as North Carolina Baptist Hospital, located in Winston-Salem, North Carolina, serving patients from the northwest North Carolina region and from across North Carolina, as well as attracting patients nationally and internationally for services.

Wake Forest University Health Sciences. WFUHS is a private nonprofit corporation whose sole member is Wake Forest University (the "*University*"). WFUHS owns and operates the University's School of Medicine (the "*School of Medicine*"). The School of Medicine employs the vast majority of Wake Forest Baptist's faculty; provides graduate and post-graduate education, including Medical Doctor, Nurse Anesthesia and Medical Laboratory Science programs; and has a large research portfolio.

Wake Forest University Baptist Medical Center. In 1975, NCBH and the University, acting for the School of Medicine, established WFBMC for the purpose of coordinating the activities of NCBH and the School of Medicine through the formulation of joint general policies, fundraising activities, strategic planning, program development, marketing and community communications. In 2002, the University transferred its medical assets, including the School of Medicine, to WFUHS. To establish Wake Forest Baptist as a top-tier academic medical center of distinction and align the strategic missions and operations, WFBMC, NCBH, WFUHS, and the University entered into a Medical Center Integration Agreement, effective July 1, 2010 and amended and restated on July 1, 2013, to create a fully integrated governance, operational and financial structure with WFBMC serving as the coordinating entity.

The Combined Group

As of September 30, 2015, the Combined Group generated in the aggregate 99.6% of Wake Forest Baptist's unrestricted revenue, and the Combined Group owned in the aggregate 97.3% of Wake Forest Baptist's unrestricted net assets.

The University is not a Member of the Obligated Group under the Master Indenture and does not have any liability or obligation for the payment of debt service on the outstanding bonds nor is the University part of the Combined Group or Wake Forest Baptist.

Wake Forest Baptist

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

For the Period Ended September 30, 2015
(Unaudited)

WAKE FOREST BAPTIST

Combined Financial Statements

Period Ended September 30, 2015

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WAKE FOREST BAPTIST

Combined Balance Sheets

Dollars in thousands.

	(Unaudited) September 30, 2015	(Audited) June 30, 2015
Assets		
Current assets:		
Cash and cash equivalents	$ 335,813	$ 341,756
Patient receivables, net	218,113	211,512
Estimated third-party payer settlements	20,415	22,288
Accounts, grants, and notes receivable, net	82,086	100,106
Other current assets	56,205	51,763
Total current assets	712,632	727,425
Accounts, grants, and notes receivable, net	50,945	40,640
Investments and assets whose use is limited	1,371,248	1,433,241
Property and equipment, net	1,017,562	1,024,943
Other assets	10,583	30,809
Total assets	$ 3,162,970	$ 3,257,058
Liabilities and Net Assets		
Current liabilities:		
Accounts payable and accruals	$ 166,605	$ 224,253
Accrued employee compensation	139,312	132,766
Estimated third-party payer settlements	106,876	106,257
Deferred revenue	69,251	57,834
Current portion of long-term debt	25,650	25,590
Other current liabilities	48,323	40,207
Total current liabilities	556,017	586,907
Notes payable and capital leases, net of current portion	84,431	88,617
Bonds payable, net of current portion	647,482	647,835
Retirement benefits	97,032	96,274
Other long-term liabilities	112,328	122,729
Total liabilities	1,497,290	1,542,362
Net assets:		
Unrestricted	1,432,016	1,476,345
Temporarily restricted	79,861	77,787
Permanently restricted	153,803	160,564
Total net assets	1,665,680	1,714,696
Total liabilities and net assets	$ 3,162,970	$ 3,257,058

See accompanying notes to the combined financial statements.

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

Dollars in thousands.

	Period Ended September 30, 2015	2014
Operating revenues and support		
Patient service revenue (net of contractual allowances and discounts)	$ 532,232	$ 480,066
Provision for bad debts	(37,550)	(40,748)
Net patient service revenue	494,682	439,318
Gifts, grants, and contracts	44,220	43,320
Net student tuition and fees	8,568	7,522
Investment return designated for current operations	8,004	5,712
Other sources	5,353	10,826
Net assets released from restrictions	6,335	6,848
Total operating revenues and support	567,162	513,546
Operating expenses		
Salaries and wages	250,447	233,027
Employee benefits	54,592	48,251
Purchased services	65,023	63,782
Clinical and laboratory supplies	91,384	83,954
Other operating expenses	56,945	40,782
Depreciation and amortization	30,072	31,654
Financing costs	6,148	5,906
Total operating expenses	554,611	507,356
Operating excess of revenues and support over expenses	12,551	6,190
Nonoperating (losses) gains		
Losses from equity-method affiliates	(306)	1,075
Net investment losses	(57,045)	(2,632)
Net gains (losses) on interest rate swap valuation	650	(176)
Other	-	(119)
(Deficiency) excess of revenues and gains over expenses and losses	(44,150)	4,338

See accompanying notes to the combined financial statements.

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

Dollars in thousands.

	Period Ended September 30, 2015	Period Ended September 30, 2014
(Deficiency) excess of revenues and gains over expenses and losses	(44,150)	4,338
Pension and postretirement-related losses other than net periodic cost	(24)	-
Net unrealized losses on other-than-trading securities	-	(8,177)
Other	(155)	(6)
Change in unrestricted net assets	(44,329)	(3,845)
Temporarily restricted net assets		
Contributions	7,102	1,271
Investment return designated for restricted purposes	1,557	1,467
Net assets released from restrictions	(6,335)	(6,848)
Net investment (losses) gains	(2)	14
Other	(248)	477
Change in temporarily restricted net assets	2,074	(3,619)
Permanently restricted net assets		
Contributions	481	1,721
Investment return reinvested in principal	263	93
Net investment losses	(7,506)	(3,501)
Other	1	8
Change in permanently restricted net assets	(6,761)	(1,679)
Change in net assets	(49,016)	(9,143)
Net assets at beginning of period	1,714,696	1,664,281
Net assets at end of period	$ 1,665,680	$ 1,655,138

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

	Period Ended September 30, 2015	2014
Operating activities and gains and losses		
Change in net assets	$ (49,016)	$ (9,143)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	30,072	31,654
Amortization of bond premium	(344)	(345)
Losses (gains) in value of interest rate swaps, net	650	(176)
Losses (gains) from equity-method affiliates	307	(1,075)
(Gain) loss on disposal of property and equipment	(98)	-
Gifts and other revenue restricted for long-term investing	-	(1,721)
Investment losses, net	57,046	14,296
Changes in operating assets and liabilities:		
Patient receivables, net	(6,601)	(10,544)
Estimated third-party payer settlements, net	2,493	(16,571)
Accounts, grants, and notes receivable, net	20,158	103,174
Other current assets	(4,442)	(3,697)
Other assets	20,226	62
Accounts payable and accruals	(70,091)	(52,959)
Accrued employee compensation	6,546	5,062
Deferred revenues	11,417	11,051
Other current liabilities	8,116	8,071
Retirement benefits	758	242
Other long-term liabilities	(11,051)	(32,373)
Net cash provided by operating activities	16,146	45,008
Investing activities		
Net sales and maturities (purchases) of investments	4,640	(10,699)
Net additions to property and equipment	(22,592)	(9,637)
Net cash used in investing activities	(17,952)	(20,336)
Financing activities		
Principal payments on debt	(4,137)	(2,731)
Proceeds from issuance of debt	-	1,462
Proceeds from private gifts restricted for long-term investing	-	1,721
Net cash (used in) provided by financing activities	(4,137)	452
(Decrease) increase in cash and cash equivalents	(5,943)	25,124
Cash and cash equivalents at the beginning of year	341,756	106,811
Cash and cash equivalents at end of year	$ 335,813	$ 131,935

See accompanying notes to the combined financial statements.

1. Organization and Summary of Significant Accounting Policies

a. *Description of the Organization*

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

Effective July 1, 2010, the Boards of Wake Forest University Health Sciences (WFUHS), North Carolina Baptist Hospital (NCBH), Wake Forest University Baptist Medical Center (WFUBMC) and Wake Forest University (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. NCBH and WFU are the members of WFUBMC.

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 40 subsidiaries. It provides a continuum of care that includes primary care centers, outpatient rehabilitation, 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 joint and severally liable for all debt and other obligations that are evidenced and secured under the MTI.

North Carolina Baptist Hopsital (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, Davie County Emergency Health Corporation (DCH), CareNet, Inc. (CareNet), The Hawthorne Inn and Conference Center, Inc. (Hawthorne Inn), North Carolina Baptist Hospital Foundation (the Foundation), and Clemmons Medical Park LLC (CMP). NCBH owns a 50% equity interest in MedCost LLC (MedCost), a preferred provider organization, and a 42.78% interest in Cornerstone Health Enablement Strategic Solutions, LLC (CHESS), which through the shared ownership agreements are accounted for as equity-method investments in the combined financial statements.

WFUHS, a wholly-owned affiliate of WFU, based in Winston-Salem, North Carolina, is a private, coeducational, non-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 University Baptist Medical Center Community Physicians (CP); Wake Forest Ambulatory Ventures LLC; 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; BRF – A 1, LLC; BRF Deck 1, LLC; and BRF – A 1a, LLC; and Childress Institute for Pediatric Trauma; North District Owners Association; and Verger Fund II, LLC. NCBH and WFUHS each own a 50% equity interest in Dialysis Access Group of Wake Forest University, LLC (DAG) and 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 (WFBI).

WFUBMC is the sole member of Lexington Medical Center (LMC), Northwest Community Care Network (NCCN), and FaithHealthInnovations, Inc.

All significant intercompany accounts and transaction have been eliminated in the combined financial statements.

b. ***Basis of Presentation***

The combined financial statements for WFB have been prepared on the accrual basis in conformity 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 transactions have been eliminated in combination.

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:

Unrestricted Net Assets – Net assets that are not subject to donor imposed stipulations.

Temporarily Restricted Net Assets – Net assets subject to donor imposed stipulations that will be met by actions of WFB and/or by the passage of time.

Permanently Restricted Net Assets – Net assets subject to donor imposed stipulations that the assets be maintained permanently by WFB. 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 unrestricted net assets unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases, respectively, in unrestricted net assets 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 between the applicable classes of net assets.

c. ***Cash Equivalents***

Cash equivalents include highly liquid investments with original maturities at the date of purchase of three months or less and primarily consist of money market funds and bank accounts.

d. ***Investments and Assets Limited as to Use***

Investments in debt and equity securities, inclusive of assets limited as to use, are reported at fair value. Investments in joint ventures are accounted for using the equity method. Direct real estate investments are recorded at cost less accumulated depreciation.

Gains, losses, and investment income are included in excess (deficiency) of revenues and gains over expenses and losses unless their use is restricted by donor or law. WFB made a policy change as of July 1, 2014 to reclassify all investments from other-than-trading securities to trading securities under FASB Accounting Standards Codification (ASC) Topic 954: *Health Care Entities*. Due to this reclassification, unrealized gains and losses on unrestricted investments in fiscal year 2015 are included in the excess of revenues over expenses in the combined statement of operations. Fiscal year 2014 unrealized gains and losses on unrestricted investments are included in the change in unrestricted net assets. The accumulated unrealized gains and losses on other-than-trading securities historically included as a component of unrestricted net assets were reclassified and included in nonoperating income at the time of transfer.

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' 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 limited as to use in the combined balance sheet. 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 statement 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. ***Property and Equipment***

Property and equipment are recorded at cost at the date of acquisition, or estimated fair market value on the date received for donated items. Depreciation is recorded on the straight line method over the estimated useful life of each class or component of depreciable asset. Estimated lives range from 3 to 50 years. Depreciation is not recorded on land and construction in progress. Gains or losses on the disposal of property and equipment are included in other operating expenses in the combined statements of operations and changes in net assets. Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring these assets.

f. ***Asset Retirement Obligations***

WFB has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities at the time that certain buildings and equipment are disposed of or renovated. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long lived asset and depreciated over the asset's useful life.

WFB reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. WFUHS recognizes an impairment charge when the fair value of the asset or group of assets is less than the carrying value.

g. ***Defined Benefit Plans***

WFB records annual amounts relating to its defined benefit plans based on calculations that incorporate various actuarial and other assumptions, including discount rates, mortality, assumed rates of return, turnover rates, and healthcare cost trend rates. Management reviews its assumptions on an annual basis and makes modifications to the assumptions based on current rates and trends when it is appropriate to do so. The effect of modifications to those assumptions is recorded in other changes in net assets and amortized to net periodic benefit (costs) over future periods using the corridor method. Management believes that the assumptions used in recording its obligations under the plan are reasonable based on its experience and market conditions.

The net periodic benefit costs are recognized as employees render the services necessary to earn the benefits.

h. ***Derivative Instruments***

WFB records all derivative instruments in investments and assets limited as to use on the combined balance sheets at their respective fair values. All changes in fair value are reflected in the combined statements of operations and changes in net assets.

i. ***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.

j. ***Contributions***

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions restricted for capital projects or other purposes, permanent endowment funds and contributions under split-interest agreements or perpetual trusts are reported as nonoperating activities. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year, net of an allowance for uncollectible contributions receivable, are discounted to their present value at a risk-adjusted rate, which approximates fair value (Level 3). Amortization of discounts is recorded as additional contribution revenue in accordance with donor imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is accrued based on management's judgment, based on such factors as prior collection history, type of contribution, relationship with the donor, and nature of fundraising activity.

k. ***HITECH Incentive Funding for Meaningful Use of Electronic Health Records (EHR)***

The American Recovery and Reinvestment Act of 2009 (ARRA) established incentive payments under the Medicare and Medicaid programs for certain healthcare providers that use certified

EHR technology. The program is commonly referred to as the Health Information Technology for Economic and Clinical Health (HITECH) Act. To qualify for incentives under the HITECH Act, healthcare providers must meet designated EHR meaningful use criteria as defined by the Centers for Medicare and Medicaid Services (CMS). Incentive payments are awarded to healthcare providers who have attested to CMS that applicable meaningful use criteria have been met. Compliance with meaningful use criteria is subject to audit by the federal government or its designee and incentive payments are subject to adjustment in a future period.

WFB recognizes revenue for EHR incentive payments in the period in which it has obtained reasonable assurance that it is in compliance with the applicable EHR meaningful use requirements. Accordingly, for the period ended September 30, 2015 and the fiscal year ended June 30, 2015, WFB recognized EHR incentives of approximately $0 and $5,595, respectively, which are included in other sources of revenue (separate from net patient service revenue) in the combined statements of operations and changes in net assets.

l. ***Excess (Deficiency) of Revenues and Gains Over Expenses and Losses***

The combined statements of operations and changes in net assets include excess (deficiency) of revenues and gains over expenses and losses. Changes in unrestricted net assets that are excluded from excess (deficiency) 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 liability, and capital contributions.

WFB differentiates its operating activities through the use of operating excess (deficiency) 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 (deficiency) 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.

m. ***Income Taxes***

WFB includes two primary organizations, NCBH and WFUHS, both of which are tax-exempt organizations as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and are generally exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. Accordingly, no provision for income taxes is made in the combined financial statements. If applicable, unrelated business income is reported by all member and subsidiary organizations on IRS Form 990-T. Fiscal years ending on or after June 30, 2012 remain subject to examination by federal and state tax authorities. WFB has evaluated uncertain tax positions for its period ended September 30, 2015 and fiscal year ended June 30, 2015, including a quantification of tax risks in areas such as unrelated business income and taxation of its for-profit subsidiaries. This evaluation did not have a material effect on WFB's combined financial statements for the period ended September 30, 2015 and the fiscal year ended June 30, 2015.

n. ***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 is limited, obligations related to employee benefits, third-party payer settlements, and the ultimate cost of asserted and unasserted malpractice claims. Actual results could differ from those estimates.

o. ***Reclassifications***

Certain reclassifications have been made to the financial statement presentation of the period ended September 30, 2015 and the fiscal year ended June 30, 2015 to correspond to the current year's format. Net assets are unchanged due to these reclassifications.

p. ***New Accounting Pronouncements***

In May 2015, the Financial Accounting Standards Board (FASB) issued ASU 2015-07, *Disclosures for Investments in Certain Entities That Calculate Net Assets Value per Share (or Its Equivalent)*. This ASU removes the requirement to categorize within the fair value hierarchy all investments for which fair value is measured using the net asset value per share as a practical expedient. WFB adopted ASU 2015-07 in fiscal year 2015 and removed these investments from the summary of levels within the fair value hierarchy footnote disclosures.

In April 2015, the FASB issued ASU 2015-03, *Interest-Imputation of Interest (Subtopic 835-30) Simplifying the Presentation of Debt Issuance Costs*. This ASU requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts and that the amortization of debt issuance costs be reported as interest expense. WFB adopted ASU 2015-03 in fiscal year 2015 and reclassified the June 30, 2014 Bond Issuance Costs balances of $68 and $5,143 from Other current assets and Other noncurrent assets, respectively, to Bonds payable, net of current portion. WFB will continue to amortize the costs to interest expense.

In May 2014, the FASB issued Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This ASU establishes principles for reporting useful information to users of financial statements about the nature, amount, timing, and uncertainty of revenue and cash flows arising from the entity's contracts with customers. Particularly, that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. ASU 2014-09 is effective for fiscal year 2019. WFB expects to record a decrease in net patient service revenue related to self-pay patients and a corresponding decrease in bad debt expense upon adoption of the standard.

June 30, 2015 Dollars in thousands.

q. ***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 Limited as to Use

Investments and assets limited as to use consist of the following:

	September 30, 2015	June 30, 2015
Short-term investments [(a)]	$ 81,645	$ 80,042
Absolute return [(b)]	417,982	428,667
Commodities [(c)]	31,316	39,293
Fixed income [(d)]	334,985	352,400
Private equity [(e)]	694	694
Public equity [(f)]	356,526	394,064
Real estate [(g)]	13,216	12,335
Pooled investments held at WFU [(h)]	9,582	10,443
Beneficial interest in perpetual trusts and assets held by others [(i)]	19,643	19,903
Other [(j)]	105,659	105,400
Total investments and assets whose use is limited	$ 1,371,248	$ 1,443,241

(a) ***Short-term investments –*** includes short duration U.S. Treasury debt securities and other short-term, higher quality debt securities, 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, currencies, futures contracts, options, and other derivative instruments. 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. 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, and other 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 direct investments in commercial and residential real estate, as well as real estate mutual funds.

(h) ***Pooled investments held at WFU*** – includes a diversified portfolio of debt and equity securities and other investment interests, including alternative investment vehicles.

(i) ***Beneficial interest in perpetual trusts –*** 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) ***Other –*** includes primarily investment in joint ventures and other miscellaneous investments.

Investment Return

Total investment return included in change in unrestricted net assets is comprised of the following:

	Period Ended September 30,	
	2015	**2014**
Interest and dividend income	$ 10,078	$ 8,001
Net investment losses	(59,119)	(13,098)
Total investment return included in change in unrestricted net assets	$ (49,041)	$ (5,097)

June 30, 2015 Dollars in thousands.

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

	Period Ended September 30, 2015	2014
Operating:		
Investment return designated for current operations	$ 8,004	$ 5,712
Nonoperating:		
Net investment losses	(57,045)	(10,809)
Total unrestricted investment return included in in the combined statements of operations and changes in net assets	(49,041)	(5,097)
Investment return designated for temporarily restricted purposes	-	1,467
Temporarily restricted net (losses) gains on investments	(2)	14
Investment return reinvested in principal	263	93
Permanently restricted net losses on investments	(7,506)	(3,501)
Total investment return included in change in restricted net assets	(7,245)	(1,927)
Total investment return	$ (56,286)	$ (7,024)

June 30, 2015 Dollars in thousands.

Investment and Assets Whose Use is Limited

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

	September 30, 2015		
	Internally Designated	Externally Restricted	Total
Board-designated endowment funds	$ 260,780	-	$ 260,780
Donor-restricted endowment funds	-	159,871	159,871
Total endowment funds	260,780	159,871	420,651
Funds designated for capital improvements	625,763	-	625,763
Funds designated for settlement of professional liability costs	59,922	-	59,922
Collateral for derivative agreements	-	5,250	5,250
Beneficial interests in perpetual trusts and assets held by others	-	19,643	19,643
Funds held under retirement and benefit plans	36,031	-	36,031
Designated for restricted purposes	1,838	16,260	18,098
Assets whose use is limited	984,334	201,024	1,185,358
Other unrestricted investments			155,385
Investments in equity-method affiliates			30,505
Investments and assets whose use is limited			$ 1,371,248

	June 30, 2015		
	Internally Designated	Externally Restricted	Total
Board-designated endowment funds	$ 274,006	$ -	$ 274,006
Donor-restricted endowment funds	-	167,322	167,322
Total endowment funds	274,006	167,322	441,328
Funds designated for capital improvements	649,183	-	649,183
Funds designated for settlement of professional liability costs	66,987	-	66,987
Collateral for derivative agreements	-	4,890	4,890
Beneficial interests in perpetual trusts and assets held by others	-	19,903	19,903
Funds held under retirement and benefit plans	35,896	-	35,896
Designated for restricted purposes	1,849	16,711	18,560
Assets whose use is limited	1,027,921	208,826	1,236,747
Other unrestricted investments			165,617
Investments in equity-method affiliates			30,877
Investments and assets whose use is limited			$ 1,433,241

June 30, 2015 Dollars in thousands.

3. Debt

Debt consists of the following:

	September 30, 2015	June 30, 2015
Series 2012A [(a)]	$ 118,405	$ 118,405
Series 2012A Unamortized Bond Premium	4,039	4,072
Series 2012A Bond Issuance Costs	(1,006)	(1,015)
Series 2012B [(a)]	105,750	105,750
Series 2012B Unamortized Bond Premium	14,200	14,395
Series 2012B Bond Issuance Costs	(833)	(845)
Series 2012C [(a)]	54,810	54,810
Series 2012C Bond Issuance Costs	(410)	(415)
Series 2012D [(a)]	80,000	80,000
Series 2012D Bond Issuance Costs	(108)	(109)
Series 2010 [(b)]	281,595	281,595
Series 2010 Unamortized Bond Premium	8,703	8,819
Series 2010 Bond Issuance Costs	(2,552)	(2,586)
Total bonds payable	662,593	662,876
Line of credit [(c)]	11,539	13,039
Loan agreement [(d)]	15,177	15,678
Loan agreement [(e)]	58,500	60,000
Promissory note [(f)]	160	160
Promissory note [(g)]	161	160
JV external notes [(h)]	517	570
Capital leases [(i)]	8,916	9,559
Total notes payable and capital leases	94,970	99,166
Total debt	757,563	762,042
Less current portion	25,650	25,590
Total long-term debt	$ 731,913	$ 736,452

June 30, 2015 Dollars in thousands.

Debt is reflected in the combined balance sheets as follows:

	September 30, 2015	June 30, 2015
Current portion of long-term debt	$ 25,650	$ 25,590
Notes payable and capital leases, net of current portion	84,431	88,617
Bonds payable, net of current portion	647,482	647,835
Total debt	$ 757,563	$ 762,042

(a) ***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 and sinking fund payments on the bonds are due on December 1 of each year beginning in 2039 and in increasing annual amounts of $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 and sinking fund 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 2012C bonds mature in full in fiscal year 2034. The bonds were issued in the Index Floating Rate Mode and bear interest at an Index Floating Rate based on the SIFMA Index plus a spread of 0.74%. At the option of WFUHS, the bonds may be converted to various interest rate modes. Per the bond agreements, the principal and sinking fund payments on the bonds are due on December 1 of each year beginning in 2014 and in increasing annual amounts ranging from $2,090 to $4,825.

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 issued 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 spread of 0.97%. At the option of NCBH, the bonds may be converted to various interest rate modes. Per the bond agreements, the principal and sinking fund 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.

(b) ***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%.

(c) ***Line of credit*** – consists of an unsecured credit facility in the amount of $125,000 to provide for the working capital needs of NCBH, WFUHS, and the Medical Center, all Borrowers under the credit facility. The line of credit refinanced the previously held $160,000 line of credit. The line of credit is due on June 23, 2018 and bears interest at the one-month LIBOR plus 0.70%.

(d) ***Loan agreement*** – represents an unsecured loan agreement held by WFUHS, with a variable rate based on the 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.

(e) ***Loan agreement*** – represents an unsecured loan agreement held by WFUBMC, with a variable rate based on the 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 ten-year amortization and bullet maturity date of June 23, 2020. This taxable loan is guaranteed by both NCBH and WFUHS.

(f) ***Promissory note*** – represents a non-interest bearing contractual lien against WFUHS, for $800 from the City of Winston-Salem to provide grant funding for the construction of the Green Park Courtyard in the Piedmont Triad Research Park. The grant states that in the event that an additional $17,400 in taxable property value are created within the Park within 10 years, then the promissory note shall be marked satisfied and paid in full and canceled of record. Fixed payments of principal are due annually with a final maturity date of June 1, 2017.

(g) ***Promissory note*** – represents a 20 year, non-interest bearing loan with the City of Winston-Salem to provide grant funding for the cleanup of a Brownsfields designated site. Fixed principal payments are deferred for the first ten years of the loan with monthly payments commencing in year 11.

(h) ***JV external notes*** – includes various notes payable held by WFB affiliates, with interest rates ranging from 3.38% to 5.26% and final maturities between 2014 and 2019.

(i) ***Capital leases*** – comprised of capital lease obligations held by NCBH, maturing at various dates through 2019. The obligations have fixed interest rates at 3.1% and are secured by leased equipment.

Bonds issued under the MTI are 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 Statement of Operations and Changes in Net Assets Information, continued (Unaudited)

Year Ended September 30, 2015 *Dollars in thousands.*

	NCBH	WFUHS	LEXMC	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non-Designated Entities	Eliminations	Total Combined Group [(1)]
Assets										
Current assets:										
Cash and cash equivalents	$ 138,172	$ 134,073	$ 43,129	$ 18,221	$ 3,785	$ (1,567)	$ 335,813	$ (4,419)	$ 1,567	$ 332,961
Patient receivables, net	171,535	37,282	8,619	-	677	-	218,113	(436)	-	217,677
Estimated third-party payer settlements	18,126	-	2,289	-	-	-	20,415	-	-	20,415
Accounts, grants, and notes receivable, net	33,546	67,800	1,245	1,807	84	(22,396)	82,086	527	383	82,996
Other current assets	67,864	25,110	1,789	58,883	228	(97,669)	56,205	(93)	99	56,211
Total current assets	429,243	264,265	57,071	78,911	4,774	(121,632)	712,632	(4,421)	2,049	710,260
Accounts, grants, and notes receivable, net	27,772	29,778	-	1,126	-	(7,731)	50,945	-	934	51,879
Investments and assets whose use is limited	750,813	665,308	-	63,665	6,364	(114,902)	1,371,248	(35,143)	7,810	1,343,915
Property and equipment, net	665,935	295,008	20,544	32,730	3,345	-	1,017,562	(3,978)	-	1,013,584
Other assets	3,028	6,813	742	-	-	-	10,583	-	-	10,583
Total assets	$ 1,876,791	$ 1,261,172	$ 78,357	$ 176,432	$ 14,483	$ (244,265)	$ 3,162,970	$ (43,542)	$ 10,793	$ 3,130,221
Liabilities and Net Assets										
Current liabilities:										
Accounts payable and accruals	$ 61,387	$ 88,127	$ 4,266	$ 73,086	$ 1,126	$ (61,387)	$ 166,605	$ (175)	$ 99	$ 166,529
Accrued employee compensation	46,994	90,677	2,338	(697)	-	-	139,312	-	-	139,312
Estimated third-party payer settlements	105,211	-	1,665	-	-	-	106,876	-	-	106,876
Deferred revenue	436	67,448	16	1,351	-	-	69,251	(90)	-	69,161
Current portion of long-term debt	11,426	8,211	-	6,000	192	(179)	25,650	(575)	383	25,458
Other current liabilities	31,885	23,135	406	4	823	(7,930)	48,323	(823)	7,930	55,430
Total current liabilities	257,339	277,598	8,691	79,744	2,141	(69,496)	556,017	(1,663)	8,412	562,766
Notes payable and capital leases, net of current portion	6,811	25,425	-	52,500	325	(630)	84,431	(1,259)	934	84,106
Bonds payable, net of current portion	479,755	167,727	-	-	-	-	647,482	-	-	647,482
Retirement benefits	59,427	37,605	-	-	-	-	97,032	-	-	97,032
Other long-term liabilities	80,221	90,297	7,354	-	56	(65,600)	112,328	(56)	-	112,272
Total liabilities	883,553	598,652	16,045	132,244	2,522	(135,726)	1,497,290	(2,978)	9,346	1,503,658
Net assets:										
Unrestricted	987,295	440,749	60,998	39,552	11,961	(108,539)	1,432,016	(40,564)	1,447	1,392,899
Temporarily restricted	3,588	71,228	409	4,636	-	-	79,861	-	-	79,861
Permanently restricted	2,355	150,543	905	-	-	-	153,803	-	-	153,803
Total net assets	993,238	662,520	62,312	44,188	11,961	(108,539)	1,665,680	(40,564)	1,447	1,626,563
Total liabilities and net assets	$ 1,876,791	$ 1,261,172	$ 78,357	$ 176,432	$ 14,483	$ (244,265)	$ 3,162,970	$ (43,542)	$ 10,793	$ 3,130,221

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

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

Year Ended September 30, 2015 *Dollars in thousands.*

	NCBH	WFUHS	LEXMC	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non-Designated Entities	Eliminations	Total Combined Group (1)
Operating revenues and support										
Patient service revenue (net of contractual allowances and discounts)	$ 382,369	$ 120,618	$ 26,797	$ 1,815	2,821	$ (2,188)	$ 532,232	$ (2,173)	$ -	$ 530,059
Provision for bad debts	(20,347)	(12,518)	(4,592)	-	(93)	-	(37,550)	73	-	(37,477)
Net patient service revenue	362,022	108,099	22,206	1,815	2,728	(2,188)	494,682	(2,100)	-	492,582
Gifts, grants, and contracts	500	42,493	239	988	-	-	44,220	-	250	44,470
Net student tuition and fees	360	8,208	-	-	-	-	8,568	-	-	8,568
Investment return designated for current operations	411	7,593	-	-	-	-	8,004	(311)	-	7,693
Other sources	6,131	54,113	121	444	-	(55,456)	5,353	(266)	414	5,501
Net assets released from restrictions	395	5,940	-	-	-	-	6,335	-	-	6,335
Total operating revenues and support	369,819	226,446	22,566	3,247	2,728	(57,644)	567,162	(2,677)	664	565,149
Operating expenses										
Salaries and wages	116,401	126,473	7,140	-	433	-	250,447	(357)	-	250,090
Employee benefits	30,551	22,026	1,925	-	90	-	54,592	(67)	-	54,525
Purchased services	79,449	35,956	2,069	1,596	1,023	(55,070)	65,023	(764)	414	64,673
Clinical and laboratory supplies	78,333	11,382	3,706	-	151	(2,188)	91,384	(44)	-	91,340
Other operating expenses	36,517	17,830	1,411	1,322	251	(386)	56,945	(481)	250	56,714
Depreciation and amortization	20,500	8,122	995	346	109	-	30,072	(103)	-	29,969
Financing costs	4,785	1,374	-	-	5	(16)	6,148	(31)	26	6,143
Total operating expenses	366,536	223,163	17,246	3,264	2,062	(57,660)	554,611	(1,847)	690	553,454
Operating excess (deficiency) of revenues and support over expenses	3,283	3,283	5,320	(17)	666	16	12,551	(830)	(26)	11,695
Nonoperating gains (losses)										
Gains (losses) from equity-method affiliates	2,615	3,018	-	87	-	(6,026)	(306)	51	431	176
Net investment gains (losses)	(32,554)	(24,475)	2	(2)	-	(16)	(57,045)	1,967	(25)	(55,103)
Net losses on interest rate swap valuation	-	650	-	-	-	-	650	-	-	650
Other	-	-	-	-	-	-	-	-	144	144
Excess (deficiency) of revenues and gains over expenses and losses	(26,656)	(17,524)	5,322	68	666	(6,026)	(44,150)	1,188	524	(42,438)

WAKE FOREST BAPTIST

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

Year Ended September 30, 2015 *Dollars in thousands.*

	NCBH	WFUHS	LEXMC	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non-Designated Entities	Eliminations	Total Combined Group [1]
Excess (deficiency) of revenues and gains over expenses and losses	(26,656)	(17,524)	5,322	68	666	(6,026)	(44,150)	1,188	524	(42,438)
Equity transfer (to) from affiliate	-	-	-	(88)	-	88	-	-	-	-
Pension and postretirement-related (losses) gains other than net periodic cost	(24)	-	-	-	-	-	(24)	-	-	(24)
Other	-	-	-	-	(611)	456	(155)	510	(602)	(247)
Change in unrestricted net assets	(26,680)	(17,524)	5,322	(20)	55	(5,482)	(44,329)	1,698	(78)	(42,709)
Temporarily restricted net assets										
Contributions	352	6,750	-	-	-	-	7,102	-	-	7,102
Investment return designated for restricted purposes	-	1,557	-	-	-	-	1,557	-	-	1,557
Net assets released from restrictions	(395)	(5,940)	-	-	-	-	(6,335)	-	-	(6,335)
Net investment losses	(2)	-	-	-	-	-	(2)	-	-	(2)
Other	15	(378)	-	115	-	-	(248)	-	-	(248)
Change in temporarily restricted net assets	(30)	1,989	-	115	-	-	2,074	-	-	2,074
Permanently restricted net assets										
Contributions	-	481	-	-	-	-	481	-	-	481
Investment return reinvested in principal	-	263	-	-	-	-	263	-	-	263
Net investment losses	-	(7,506)	-	-	-	-	(7,506)	-	-	(7,506)
Other	-	-	1	-	-	-	1	-	-	1
Change in permanently restricted net assets	-	(6,762)	1	-	-	-	(6,761)	-	-	(6,761)
Change in net assets	(26,710)	(22,297)	5,323	95	55	(5,482)	(49,016)	1,698	(78)	(47,396)
Net assets at beginning of period	1,019,948	684,817	56,989	44,093	11,906	(103,057)	1,714,696	(42,262)	1,525	1,673,959
Net assets at end of period	$ 993,238	$ 662,520	$ 62,312	$ 44,188	$ 11,961	$ (108,539)	$ 1,665,680	$ (40,564)	$ 1,447	$ 1,626,563