Wake Forest™
Baptist Medical Center

QUARTERLY DISCLOSURE STATEMENT (UNAUDITED)

For the Period Ended December 31, 2014

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 six months ended December 31, 2014. 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 December 31, 2014, the Combined Group generated in the aggregate 99.6% of Wake Forest Baptist's unrestricted revenue, and the Combined Group owned in the aggregate 97.2% 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 received the following accolades over the prior quarter:

- John McConnell, M.D., chief executive officer of Wake Forest Baptist Medical Center, has been recognized as one of 130 nonprofit hospital and health system CEOs to know for the second year in a row by Becker's Hospital Review. Individuals featured on the list lead some of the largest and most prominent hospitals and health systems in the nation. Selection was based on experience, professional achievement and community involvement. McConnell became the first CEO of Wake Forest Baptist Medical Center in November 2008.

Wake Forest Baptist reported a gain in unrestricted net assets of $8.1 million for the period ended December 31, 2014. This gain is comprised of an operating income of $19.2 million (1.8% operating margin) and net non-operating losses of $11.1 million.

In recent months, Wake Forest Baptist has realized significant improvements in operating performance. As noted in prior disclosures, management has implemented strategies and processes to restore financial performance and enhance existing programs.

The sections below provide context regarding underlying financial performance for the six months ending December 31, 2014.

Revenues and Operating Performance

- **Net Revenues:** Total net revenues were $1.05 billion, 9.5% higher than the prior year. Underlying patient revenues improved over the same period last year due to growth in inpatient admissions, surgical cases, physician work RVUs, and other outpatient volume. Aggregate Case Mix Adjusted Equivalent Discharges ("CMAEDs") increased 17.1%.

- **Operating Performance:** Operating income for the quarter was $19.2 million or 1.8% compared to prior year of -2.4%. Operating EBIDA Margin was $92.1 million or 8.8% for the quarter compared to prior year of 3.9%.

Utilization

Patient volumes continued to improve through the second quarter. Wake Forest Baptist generated overall volume growth with a 17.1% year over year growth in case mix adjusted equivalent discharges (CMAEDs). Significant focus has been placed on improving patient access and enhancing provider throughput.

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- **Inpatient Utilization:** System inpatient admissions increased by 10.7% compared to prior year. This was largely driven by growth in inpatient surgical cases and flu-related admissions.

- **Surgical Volumes:** Operating room cases across the health system increased by 6.3% over prior year with growth in both inpatient and outpatient cases of 8.7% and 5.0% respectively. 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 79,696 represented a 7.0% increase over prior year. The recent openings of several Wake multi-specialty clinics and urgent care centers (Clemmons, Davie, etc.) have increased service offerings for emergent care in the past year are effectively moving ED volume to lower cost settings while supporting core growth.

- **Outpatient Volumes:** Outpatient volume has continued to show strong growth with a 7.8% increase over the prior year. This growth is attributable to improvements in ambulatory and diagnostics access, clinician productivity and an expansion of outpatient facilities.

Operational Performance / Efficiency

- **Length of Stay:** Average Length of Stay was 5.69 days for the six months ending December 31st, representing a 5.8% improvement from prior year. Case Mix Adjusted Average Length of Stay improved by 5.5% to 2.92 days.

- **Productivity:** Staffing productivity for system hospitals was 91.8 paid hours per CMAED, an improvement of 18.7% from prior year's comparable 113.0 paid hours per CMAED. This improvement was driven by volume growth, implementation of benchmark-based staffing targets, and organizational reductions in force.

Balance Sheet

- **Liquidity:** Balance sheet remains solid with Days Cash on Hand of 242 and Debt-to-Capitalization of 36.2%.

- **Investment Performance:** Wake Forest Baptist had total unrestricted investment return of $0.5 million through the second quarter.

- **Debt Structure/Line of Credit:** Wake Forest Baptist has an unsecured, revolving credit facility to provide up to $160 million for the working capital needs of the organization. As of December 31st, $120.8 million had been drawn under this facility.

- **Capital Expenditures:** Capital expenditures through December 31st were $34.5 million and primarily related to IT infrastructure upgrades, Epic and other software initiatives, and facility renovations.

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Key Strategic Investments

- Wake Forest Baptist Medical Center announced plans for a new medical education building for its School of Medicine. This $50 million project will be initially financed via a structured sale and leaseback with a right to purchase the property. In addition, the medical education building is a major listed project within our capital campaign with an aim to offset the project capital cost. The medical education building will be located in the former 60 series R.J. Reynolds Tobacco Company complex, adjacent to 525@vine in Wake Forest Innovation Quarter. Construction will begin immediately with plans to be ready to welcome medical students in July 2016. The timing of the opening of the medical education building will coincide with Wake Forest Baptist introducing one of the most advanced medical school curriculums in the country, and will allow medical students to prepare for real-life experiences in the most modern of settings available for clinics and exam rooms, complete with the new informatics and technologies commonly used in patient care today.

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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-19 to FS-21 of the attached financial statements.

Liquidity – Combined Group

The following table sets forth, as of December 31, 2014 and 2013, 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.

	12/31/2014	12/31/2013
Cash & cash equivalents	$ 119,915	$ 37,968
Investments and assets whose use is limited	1,121,729	1,027,664
Total cash and investments	$ 1,241,644	$ 1,065,632
Bonds payable	$ 677,458	$ 690,519
Notes payable and capital leases	148,829	149,195
Less: Short-term debt	-	-
Long-term Indebtedness	$ 826,287	$ 839,714
Unrestricted Cash-to-Debt	**150%**	**127%**
Days Cash on Hand	**236**	**211**

**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 December 31, 2014) for the Combined Group.

	Actual
Equity	38%
Fixed Income	38%
Absolute Return	13%
Real Assets	11%
Total	**100%**

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Capitalization – Combined Group

The capitalization for the Combined Group for the periods ended December 31, 2014 and 2013 is set forth in the following table.

	12/31/2014	12/31/2013
Revenue Bonds	677,458	690,519
Other Notes Payable	137,901	148,000
Capital Leases	10,928	1,195
Total Debt	826,287	839,714
Unrestricted Net Assets	1,418,412	1,473,291
Total Capitalization	2,244,699	2,313,005
Total Debt as a % of Total Capitalization	36.8%	36.3%

Debt Service Coverage Ratio – Combined Group

The Coverage Ratio (calculated upon actual annual debt service) reported below is for the 12-month period ended December 31, 2014 (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 12/31/2014
Operating Income	(37,357)
Unrestricted Contributions	0
Interest & Dividend Income	12,797
Depreciation and Amortization	120,579
Financing Costs	23,645
Income Available for Debt Service	**119,664**
Actual Debt Service	**43,275**
Debt Service Coverage Ratio	**2.8**

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December 31, 2014

UTILIZATION STATISTICS

Utilization Statistics – Combined Group

	Twelve Months Ended		
	12/31/2014	12/31/2013	% Chg from Prior Year
Case Mix Adjusted Equivalent Discharges	89,922	76,803	17.1%
Patient Days	124,448	119,376	4.2%
Inpatient Admissions	21,887	19,775	10.7%
Average Length of Stay	5.69	6.04	-5.8%
Average Length of Stay (Case Mix Adjusted)	2.92	3.09	-5.5%
Inpatient Operating Room Cases	7,859	7,229	8.7%
Outpatient Operating Room Cases	14,169	13,491	5.0%
Total Operating Room Cases	22,028	20,720	6.3%
Emergency Department Visits	79,696	74,461	7.0%
Case Mix Index *(all payors using Medicare weights)*	1.949	1.954	-0.2%
RVUs	2,729,104	2,516,616	8.4%

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 WFMBC 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

Wake Forest Baptist handles over 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:

<u>North Carolina Baptist Hospital</u>. 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.

<u>Wake Forest University Health Sciences</u>. 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.

<u>Wake Forest University Baptist Medical Center</u>. 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 December 31, 2014, the Combined Group generated in the aggregate 99.6% of Wake Forest Baptist's unrestricted revenue, and the Combined Group owned in the aggregate 97.2% of Wake Forest Baptist's unrestricted net assets.

The University is <u>not</u> 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.

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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 December 31, 2014
(Unaudited)

WAKE FOREST BAPTIST

Combined Financial Statements

Period Ended December 31, 2014

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Combined Balance Sheets

Dollars in thousands.

		(Unaudited) December 31, 2014		(Audited) June 30, 2014
Assets				
Current assets:				
Cash and cash equivalents	$	123,343	$	106,811
Patient receivables, net		175,733		211,858
Estimated third-party payer settlements		69,190		43,439
Accounts, grants, and notes receivable, net		126,759		141,838
Other current assets		58,249		42,185
Total current assets		553,274		546,131
Accounts, grants, and notes receivable, net		150,007		237,700
Investments and assets whose use is limited		1,403,950		1,346,908
Property and equipment, net		1,049,974		1,076,515
Other assets		14,940		24,475
Total assets	$	3,172,145	$	3,231,729
Liabilities and Net Assets				
Current liabilities:				
Accounts payable and accruals	$	100,207	$	137,072
Accrued employee compensation		128,790		126,560
Estimated third-party payer settlements		77,638		73,757
Deferred revenue		44,889		48,027
Current portion of long-term debt		19,450		17,829
Other current liabilities		50,592		47,426
Total current liabilities		421,566		450,671
Notes payable and capital leases, net of current portion		144,484		140,686
Bonds payable, net of current portion		662,748		666,798
Retirement benefits		99,448		85,735
Other long-term liabilities		175,309		223,558
Total liabilities		1,503,555		1,567,448
Net assets:				
Unrestricted		1,459,016		1,450,905
Temporarily restricted		60,149		62,329
Permanently restricted		149,425		151,047
Total net assets		1,668,590		1,664,281
Total liabilities and net assets	$	3,172,145	$	3,231,729

See accompanying notes to the combined financial statements.

WAKE FOREST BAPTIST

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

Dollars in thousands.

	For the Period Ended December 31, 2014	2013
Operating revenues and support		
Patient service revenue (net of contractual allowances and discounts)	$ 997,673	$ 881,659
Provision for bad debts	(98,246)	(66,132)
Net patient service revenue	899,427	815,527
Gifts, grants, and contracts	89,237	85,014
Net student tuition and fees	15,105	12,843
Investment return designated for current operations	11,684	11,334
Other sources	22,706	24,514
Net assets released from restrictions	13,417	11,141
Total operating revenues and support	1,051,576	960,373
Operating expenses		
Salaries and wages	470,560	461,646
Employee benefits	98,197	86,633
Purchased services	136,451	130,770
Clinical and laboratory supplies	173,775	162,894
Other operating expenses	80,449	80,557
Depreciation and amortization	60,886	51,356
Financing costs	12,059	10,005
Total operating expenses	1,032,377	983,861
Operating Income (Deficit)	19,199	(23,488)
Nonoperating gains (losses)		
Gains from equity-method affiliates	1,370	899
Net investment gains	5,544	18,482
Unrealized (losses) gains on other-than-trading securities	(16,744)	25,627
Unrealized (losses) gains on interest rate swap valuation	(1,058)	547
Other	(227)	(503)
Excess of revenues and gains over expenses and losses	8,084	21,564

See accompanying notes to the combined financial statements.

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

Dollars in thousands.

	For the Period Ended December 31, 2014	2013
Excess of revenues and gains over expenses and losses	8,084	21,564
Other	27	(153)
Change in unrestricted net assets	8,111	21,411
Temporarily restricted net assets		
Contributions	7,571	7,421
Investment return designated for restricted purposes	3,003	2,766
Net assets released from restrictions	(13,417)	(11,197)
Net investment (losses) gains	(19)	2,220
Other	689	748
Change in temporarily restricted net assets	(2,173)	1,958
Permanently restricted net assets		
Contributions	5,693	4,997
Investment return reinvested in principal	285	148
Other	(7,607)	200
Change in permanently restricted net assets	(1,629)	5,345
Change in net assets	4,309	28,714
Net assets at beginning of period	1,664,281	1,691,101
Net assets at end of period	$ 1,668,590	$ 1,719,815

See accompanying notes to the combined financial statements.

Combined Statements of Cash Flows (Unaudited)

Dollars in thousands.

	For the Period Ended December 31, 2014	2013
Operating activities and gains and losses		
Change in net assets	$ 4,309	$ 28,714
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	60,886	51,356
Amortization of bond premium	(691)	(691)
Gains in value of interest rate swaps, net	(1,058)	(547)
Gains from equity-method affiliates	(1,370)	(899)
Losses (gains) on disposal of property and equipment	167	(253)
Gifts and other revenue restricted for long-term investing	(5,927)	(5,065)
Net investment losses (gains)	11,219	(41,160)
Changes in operating assets and liabilities:		
Patient receivables, net	36,125	(11,048)
Estimated third-party payer settlements, net	(21,870)	20,388
Accounts, grants, and notes receivable, net	102,772	5,901
Other current assets	(16,064)	(17,640)
Other assets	9,980	(146)
Accounts payable and accruals	(36,785)	(25,034)
Accrued employee compensation	2,230	16,003
Deferred revenues	(3,138)	2,160
Other current liabilities	3,166	956
Retirement benefits	13,713	(2,452)
Other long-term liabilities	(47,556)	1,178
Net cash provided by operating activities	110,108	21,721
Investing activities		
Net proceeds from sales and maturities (purchases) of investments	(66,892)	22,082
Net additions to property and equipment	(34,511)	(80,864)
Net cash used in investing activities	(101,403)	(58,782)
Financing activities		
Principal payments on debt	(11,596)	(26,495)
Proceeds from issuance of debt	13,495	34,965
Proceeds from private gifts restricted for long-term investing	5,642	4,917
Other financing activities	286	148
Net cash provided by financing activities	7,827	13,535
Increase (decrease) in cash and cash equivalents	16,532	(23,526)
Cash and cash equivalents at the beginning of year	106,811	63,270
Cash and cash equivalents at end of year	$ 123,343	$ 39,744

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). 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 50 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 are 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. The effect of the new credit structure is that each member of the Obligated Group becomes joint and severally liable for all debt and other obligations that are to be evidenced and secured under the MTI.

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), the Center for Congregational Health, Inc. (CCH), and Clemmons Medical Park LLC (CMP). NCBH owns a 50% equity interest in MedCost LLC (MedCost), a preferred provider organization, which through the shared ownership agreements are accounted for as an equity-method investment in the combined financial statements. NCBH owns a 28.53% interest in Cornerstone Health Enablement Strategic Solutions, LLC (CHESS).

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); Childress Institute for Pediatric Trauma; 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.

NCBH and WFUHS each own a 50% equity interest in Dialysis Access Group of Wake Forest University, LLC (DAG) and a 37.5% equity interest in Wake Forest Baptist Imaging, LLC (WFBI).

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

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 accounting principles generally accepted in the United States of America (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.

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.

Any other-than-temporary declines are accounted for as a recognized loss within net investment gains whereby the historical cost of the related investment would be adjusted to the then-current fair market value.

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' 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 calculated 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 calculated on land and construction in progress. Gains or losses on the disposal of property and equipment are included in nonoperating gains (losses) 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.

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 cost 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 WFUHS is reflected as a reduction of student tuition and fee revenue. Student aid does not include payments made to students for services rendered to WFUHS.

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 other changes in net assets. 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. 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 six-month period ended December 31, 2014 and 2013, WFB recognized EHR incentives of approximately $4,063 and $0, 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; gains and losses on disposal of property and equipment; 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, 2011 remain subject to examination by federal and state tax authorities. WFB has evaluated uncertain tax positions for its period ended December 31, 2014 and the fiscal year ended June 30, 2014, 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 financial statements for the period ended December 31, 2014 and the fiscal year ended June 30, 2014.

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 use 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.

Patient receivables are reduced by an allowance for doubtful accounts, which is subject to significant management estimate. In order to estimate the appropriate allowance for doubtful accounts and provision for bad debts, management analyzes past history and identifies trends for each of its major payer sources of revenue. Management regularly reviews data about these major payer sources of revenue in evaluating the sufficiency of the allowance for doubtful accounts. Any adjustments that result from management's continued review are reflected as changes in accounting estimate in the period in which they are determined.

o. ***Reclassifications***

Certain reclassifications have been made to the financial statement presentation of the period ended December 31, 2014, and 2013, and the fiscal year ended June 30, 2014 to correspond to the current year's format. Net assets are unchanged due to these reclassifications.

p. ***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.

December 31, 2014 Dollars in thousands.

2. Investments and Assets Limited as to Use

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

	December 31, 2014	June 30, 2014
Short-term investments [a]	$ 74,052	$ 26,478
Absolute return [b]	87,220	86,357
Commodities [c]	29,680	38,760
Fixed income [d]	334,134	259,949
Private equity [e]	698	598
Public equity [f]	340,235	296,631
Real estate [g]	13,792	24,612
Pooled investments held at WFU [h]	392,787	483,448
Beneficial interest in perpetual trusts and assets held by others [i]	20,635	20,958
Other [j]	110,717	109,117
Total investments and assets whose use is limited	$ 1,403,950	$ 1,346,908

(a) ***Short-term investments –*** includes short duration U.S. Treasury debt securities and other short-term, higher quality debt securities, cash 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

December 31, 2014 Dollars in thousands.

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 for the periods ended:

	December 31, 2014	December 31, 2013
Interest and dividend income	$ 18,110	$ 15,952
Realized losses	(882)	6,874
Unrealized losses	(16,744)	32,617
Total investment return included in change in unrestricted net assets	$ 484	$ 55,443

December 31, 2014 Dollars in thousands.

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

	Period Ended December 31, 2014	2013
Operating:		
Investment return designated for current operations	$ 11,684	$ 11,334
Nonoperating:		
Net investment gains	5,544	18,482
Other changes in unrestricted net assets:		
Net unrealized gains on other-than-trading securities	(16,744)	25,627
Total investment return included in change in unrestricted net assets	484	55,443
Investment return designated for temporarily restricted purposes	3,003	2,766
Temporarily restricted net gains on investments	(19)	2,220
Investment return reinvested in principal	285	148
Total investment return included in change in restricted net assets	3,269	5,134
Total investment return	$ 3,753	$ 60,577

December 31, 2014 Dollars in thousands.

Investment and Assets Whose Use is Limited

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

	December 31, 2014		
	Internally Designated	Externally Restricted	Total
Board-designated endowment funds	$ 261,497	$ -	$ 261,497
Donor-restricted endowment funds	-	165,931	165,931
Total endowment funds	261,497	165,931	427,428
Funds designated for capital improvements	633,403	-	633,403
Funds designated for settlement of professional liability costs	70,428	-	70,428
Collateral for derivative agreements	-	5,030	5,030
Beneficial interests in perpetual trusts and assets held by others	-	20,635	20,635
Funds held under retirement and benefit plans	33,609	12,492	46,101
Designated for restricted purposes	1,907	16,743	18,650
Assets whose use is limited	1,000,844	220,831	1,221,675
Other unrestricted investments			151,661
Investments in equity-method affiliates			30,614
Investments and assets whose use is limited			$ 1,403,950

	June 30, 2014		
	Internally Designated	Externally Restricted	Total
Board-designated endowment funds	$ 258,614	$ -	$ 258,614
Donor-restricted endowment funds	-	164,543	164,543
Total endowment funds	258,614	164,543	423,157
Funds designated for capital improvements	593,632	-	593,632
Funds designated for settlement of professional liability costs	75,339	-	75,339
Collateral for derivative agreements	-	4,340	4,340
Beneficial interests in perpetual trusts and assets held by others	-	20,958	20,958
Funds held under retirement and benefit plans	32,651	34,812	67,463
Designated for restricted purposes	1,907	16,977	18,884
Assets whose use is limited	962,143	241,630	1,203,773
Other unrestricted investments			117,022
Investments in equity-method affiliates			26,113
Investments and assets whose use is limited			$ 1,346,908

December 31, 2014 Dollars in thousands.

3. Debt

Debt consists of the following:

	December 31, 2014	June 30, 2014
Series 2012A [a]	$ 118,405	$ 118,405
Series 2012A Unamortized Bond Premium	4,139	4,206
Series 2012B [a]	105,750	109,220
Series 2012B Unamortized Bond Premium	14,786	15,177
Series 2012C [a]	54,810	56,955
Series 2012D [a]	80,000	77,569
Series 2010 [b]	290,515	290,515
Series 2010 Unamortized Bond Premium	9,052	9,286
Total bonds payable	677,457	681,333
Line of credit [c]	120,814	124,367
Loan agreement [d]	16,678	17,679
Promissory note [e]	240	240
Promissory note [f]	169	169
JV external notes [g]	396	720
Capital leases [h]	10,844	698
Capital leases [i]	84	107
Total notes payable and capital leases	149,225	143,980
Total debt	826,682	825,313
Less current portion	19,450	17,829
Total long-term debt	$ 807,232	$ 807,484

Debt is reflected in the combined balance sheets as follows:

	December 31, 2014	June 30, 2014
Current portion of long-term debt	$ 19,450	$ 17,829
Notes payable and capital leases, net of current portion	144,484	140,686
Bonds payable, net of current portion	662,748	666,798
Total debt	$ 826,682	$ 825,313

(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 $160,000 held by WFUBMC to provide for the working capital needs of NCBH, WFUHS, and the Medical Center.

The line of credit is due on December 31, 2015 and bears interest at the one-month LIBOR plus .50%. This taxable line of credit is guaranteed by both NCBH and WFUHS.

(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) ***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.

(f) ***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.

(g) ***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 2016.

(h) ***Capital leases*** – comprised of capital lease obligations held by NCBH, maturing at various dates through 2019. The obligations have fixed interest rates ranging from 3.10% to 5.10% and are secured by leased equipment.

(i) ***Capital leases*** – consists of capital lease obligations held by WFUHS, maturing at various dates through 2017. The leases have fixed interest rates ranging from 4.07% to 5.42% 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 Balance Sheet Information (Unaudited)

December 31, 2014 *Dollars in thousands.*

	NCBH	WFUHS	WFUBMC	Other Subs and Affiliates	Eliminations	Total WFB	Non-Designated Entities	Eliminations	Total Combined Group (1)
Assets									
Current assets:									
Cash and cash equivalents	$ 59,158	$ 21,287	$ 40,719	$ 2,179	$ -	$ 123,343	$ (3,428)	$ -	$ 119,915
Patient receivables, net	126,123	40,841	7,994	775	-	175,733	(462)	-	175,271
Estimated third-party payer settlements	66,437	-	2,753	-	-	69,190	-	-	69,190
Accounts, grants, and notes receivable, net	49,192	164,053	9,233	18	(95,737)	126,759	(18)	362	127,103
Other current assets	59,682	6,997	1,182	204	(9,816)	58,249	(85)	762	58,926
Total current assets	360,592	233,178	61,881	3,176	(105,553)	553,274	(3,993)	1,124	550,405
Accounts, grants, and notes receivable, net	29,166	129,103	-	-	(8,262)	150,007	-	1,224	151,231
Investments and assets whose use is limited	786,775	704,162	3,923	6,605	(97,515)	1,403,950	(37,629)	8,010	1,374,331
Property and equipment, net	680,836	309,974	55,688	3,633	(157)	1,049,974	(4,261)	-	1,045,713
Other assets	6,599	8,138	121,516	-	(121,314)	14,940	-	-	14,940
Total assets	$ 1,863,968	$ 1,384,555	$ 243,008	$ 13,415	$ (332,801)	$ 3,172,145	$ (45,883)	$ 10,358	$ 3,136,620
Liabilities and Net Assets									
Current liabilities:									
Accounts payable and accruals	$ 28,001	$ 164,009	$ 11,689	$ 104	$ (103,596)	$ 100,207	$ (796)	$ 762	$ 100,173
Accrued employee compensation	42,391	78,978	7,421	-	-	128,790	-	-	128,790
Estimated third-party payer settlements	77,194	-	444	-	-	77,638	-	-	77,638
Deferred revenue	93	43,435	1,361	-	-	44,889	(90)	-	44,799
Current portion of long-term debt and									-
capital leases	10,652	8,798	1,845	126	(1,971)	19,450	(487)	362	19,325
Other current liabilities	26,770	22,037	973	1,229	(417)	50,592	(865)	-	49,727
Total current liabilities	185,101	317,257	23,733	1,459	(105,984)	421,566	(2,237)	1,124	420,452
Notes payable and capital leases, net of current portion	6,141	17,988	120,814	271	(730)	144,484	(1,494)	1,224	144,214
Bonds payable, net of current portion	493,192	169,556	-	-	-	662,748	-	-	662,748
Retirement benefits	43,852	55,452	-	144	-	99,448	(144)	-	99,304
Other long-term liabilities	119,990	181,053	9,286	-	(135,020)	175,309	-	6,606	181,916
Total liabilities	848,276	741,306	153,833	1,874	(241,734)	1,503,555	(3,875)	8,954	1,508,634
Net assets:									
Unrestricted	1,009,774	441,831	86,869	11,541	(90,999)	1,459,016	(42,008)	1,404	1,418,412
Temporarily restricted	3,653	55,163	1,401	-	(68)	60,149	-	-	60,149
Permanently restricted	2,265	146,255	905	-	-	149,425	-	-	149,425
Total net assets	1,015,692	643,249	89,175	11,541	(91,067)	1,668,590	(42,008)	1,404	1,627,986
Total liabilities and net assets	$ 1,863,968	$ 1,384,555	$ 243,008	$ 13,415	$ (332,801)	$ 3,172,145	$ (45,883)	$ 10,358	$ 3,136,620

(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)

Period Ended December 31, 2014 *Dollars in thousands.*

	NCBH	WFUHS	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)	$ 711,290	$ 236,467	$ 48,651	$ 5,505	$ (4,240)	$ 997,673	$ (4,048)	$ -	$ 993,625
Provision for bad debts	(65,328)	(24,684)	(8,070)	(164)	-	(98,246)	139	-	(98,107)
Net patient service revenue	645,962	211,783	40,581	5,341	(4,240)	899,427	(3,909)	-	895,518
Gifts, grants, and contracts	509	88,543	185	-	-	89,237	(1)	500	89,736
Net student tuition and fees	445	14,660	-	-	-	15,105	-	-	15,105
Investment return designated for current operations	1,235	10,447	2	-	-	11,684	(575)	-	11,109
Other sources	13,008	62,926	1,404	-	(54,632)	22,706	(533)	716	22,889
Net assets released from restrictions	552	12,865	-	-	-	13,417	-	-	13,417
Total operating revenues and support	661,711	401,224	42,172	5,341	(58,872)	1,051,576	(5,018)	1,216	1,047,774
Operating expenses									
Salaries and wages	239,485	215,998	14,306	771	-	470,560	(662)	-	469,898
Employee benefits	52,819	41,890	3,322	166	-	98,197	(131)	-	98,066
Purchased services	107,410	74,373	6,652	1,850	(53,834)	136,451	(1,366)	716	135,801
Clinical and laboratory supplies	146,980	24,373	6,287	375	(4,240)	173,775	(82)	-	173,693
Other operating expenses	57,689	20,368	2,476	713	(797)	80,449	(1,142)	500	79,807
Depreciation and amortization	42,512	15,542	2,643	189	-	60,886	(186)	-	60,700
Financing costs	9,215	2,875	22	5	(58)	12,059	(68)	63	12,054
Total operating expenses	656,110	395,419	35,708	4,069	(58,929)	1,032,377	(3,637)	1,279	1,030,019
Operating Income	5,601	5,805	6,464	1,272	57	19,199	(1,381)	(63)	17,755
Nonoperating gains (losses)									
Gains (losses) from equity-method affiliates	4,808	4,245	-	-	(7,683)	1,370	51	655	2,076
Net investment gains (losses)	10,297	(4,721)	25	-	(57)	5,544	(79)	63	5,528
Unrealized investment gains (losses)	(13,176)	(3,568)	-	-	-	(16,744)	732	-	(16,012)
Unrealized losses on interest rate swap valuation	(365)	(693)	-	-	-	(1,058)	-	-	(1,058)
Other	-	8	-	-	(235)	(227)	-	235	8
Excess (Deficiency) of revenues and gains over expenses and losses	7,165	1,076	6,489	1,272	(7,918)	8,084	(677)	890	8,297

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

WAKE FOREST BAPTIST

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

Period Ended December 31, 2014 *Dollars in thousands.*

	NCBH	WFUHS	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	7,165	1,076	6,489	1,272	(7,918)	8,084	(677)	890	8,297
Equity transfer from (to) affiliate	-	-	-	-	-	-	-	-	-
Pension and postretirement-related gain (loss) other than net periodic cost	-	-	-	-	-	-	-	-	-
Other	(24)	-	-	(736)	787	27	736	(787)	(24)
Change in unrestricted net assets	7,141	1,076	6,489	536	(7,131)	8,111	59	103	8,273
Temporarily restricted net assets									
Contributions	1,048	6,523	-	-	-	7,571	-	-	7,571
Investment return designated for restricted purposes	-	3,003	-	-	-	3,003	-	-	3,003
Net assets released from restrictions	(552)	(12,865)	-	-	-	(13,417)	-	-	(13,417)
Net investment losses	(19)	-	-	-	-	(19)	-	-	(19)
Other	(120)	652	157	-	-	689	-	-	689
Change in temporarily restricted net assets	357	(2,687)	157	-	-	(2,173)	-	-	(2,173)
Permanently restricted net assets									
Contributions	50	5,643	-	-	-	5,693	-	-	5,693
Investment return reinvested in principal	-	285	-	-	-	285	-	-	285
Other	(2)	(7,605)	-	-	-	(7,607)	-	-	(7,607)
Change in permanently restricted net assets	48	(1,677)	-	-	-	(1,629)	-	-	(1,629)
Change in net assets (deficit)	7,546	(3,288)	6,646	536	(7,131)	4,309	59	103	4,471
Net assets at beginning of period	1,008,147	646,537	82,529	11,004	(83,936)	1,664,281	(42,018)	1,251	1,623,514
Net assets at end of period	$ 1,015,693	$ 643,249	$ 89,175	$ 11,540	$ (91,067)	$ 1,668,590	$ (41,959)	$ 1,354	$ 1,627,985