

Atrium Health Wake Forest Baptist

Combined Financial Statements and Supplementary Information
As of and for the Years Ended December 31, 2024 and 2023



**ATRIUM HEALTH WAKE FOREST BAPTIST
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Report of Independent Auditors

The Board of Directors
Advocate Health, Inc.

Opinion

We have audited the combined financial statements of Atrium Health Wake Forest Baptist (the Organization), which comprise the combined balance sheets as of December 31, 2024 and 2023, and the related combined statements of operations and changes in net assets, and cash flows for the years then ended, and the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Organization at December 31, 2024 and 2023, and the results of its operations, changes in its net assets, and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Organization and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization’s ability to continue as a going concern for one year after the date that the financial statements are issued.



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Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Organization's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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Other Information

Management is responsible for the other information. The other information comprises the Annual Disclosure Statements but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

April 9, 2025

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

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Assets		
Current assets		
Cash and cash equivalents	\$ 482,279	\$ 443,244
Patient accounts receivable	481,037	480,560
Other current assets	376,309	314,603
Total current assets	<u>1,339,625</u>	<u>1,238,407</u>
Noncurrent assets		
Assets limited as to use	2,274,755	2,112,309
Property and equipment, net	1,579,837	1,318,795
Operating lease right-of-use assets	154,937	171,857
Other noncurrent assets	194,976	206,757
Total noncurrent assets	<u>4,204,505</u>	<u>3,809,718</u>
Total assets	<u>\$ 5,544,130</u>	<u>\$ 5,048,125</u>
Liabilities		
Current liabilities		
Long-term debt, current portion	\$ 232,066	\$ 53,201
Operating lease liabilities, current portion	42,600	41,506
Accrued salaries and employee benefits	369,958	309,693
Accounts payable and other accrued liabilities	378,271	337,554
Third-party payors payables	72,727	105,590
Total current liabilities	<u>1,095,622</u>	<u>847,544</u>
Noncurrent liabilities		
Long-term debt, less current portion	781,792	815,626
Operating lease liabilities, less current portion	118,278	137,401
Obligations under swap agreements	638	1,058
Other noncurrent liabilities	353,327	366,015
Total noncurrent liabilities	<u>1,254,035</u>	<u>1,320,100</u>
Total liabilities	2,349,657	2,167,644
Net assets		
Without donor restrictions		
Controlling interest	2,661,947	2,403,236
Noncontrolling interests in subsidiaries	9,384	10,742
Total net assets without donor restrictions	<u>2,671,331</u>	<u>2,413,978</u>
With donor restrictions	523,142	466,503
Total net assets	<u>3,194,473</u>	<u>2,880,481</u>
Total liabilities and net assets	<u>\$ 5,544,130</u>	<u>\$ 5,048,125</u>

See accompanying notes to combined financial statements.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Revenue		
Patient service revenue	\$ 4,167,639	\$ 4,036,905
Other revenue	1,192,113	1,011,589
Total revenue	5,359,752	5,048,494
Expenses		
Salaries, wages and benefits	2,932,703	2,812,983
Supplies and drugs	1,341,359	1,181,891
Purchased services and other	801,155	716,608
Depreciation and amortization	143,915	155,750
Interest	31,160	33,560
Total expenses	5,250,292	4,900,792
Operating income	109,460	147,702
Nonoperating income		
Investment income, net	131,049	105,979
Other nonoperating loss, net	(2,038)	(14,973)
Total nonoperating income, net	129,011	91,006
Revenue in excess of expenses	238,471	238,708
Less loss (income) attributable to noncontrolling interests	1,358	(315)
Revenue in excess of expenses - attributable to controlling interest	\$ 239,829	\$ 238,393

(Continued)

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net assets without donor restrictions, controlling interest		
Revenue in excess of expenses - attributable to controlling interest	\$ 239,829	\$ 238,393
Pension-related changes other than net periodic pension costs	20,882	7,522
Other, net	(2,000)	(2,000)
Increase in net assets without donor restrictions, controlling interest	258,711	243,915
Net assets without donor restrictions, noncontrolling interests		
Revenue (less than) in excess of expenses - attributable to noncontrolling interests	(1,358)	315
(Decrease) increase in net assets without donor restrictions, noncontrolling interests	(1,358)	315
Net assets with donor restrictions		
Contributions	127,586	123,896
Investment income, net	14,456	5,947
Net assets released from restrictions for operations	(92,198)	(63,799)
Other, net	6,795	8,980
Increase in net assets with donor restrictions	56,639	75,024
Increase in net assets	313,992	319,254
Net assets at beginning of period	2,880,481	2,561,227
Net assets at end of period	\$ 3,194,473	\$ 2,880,481

See accompanying notes to combined financial statements.

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

	Year Ended December 31, 2024	Year Ended December 31, 2023
Cash flows from operating activities		
Increase in net assets	\$ 313,992	\$ 319,254
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	142,811	154,646
Noncash lease expense	47,530	41,582
Pension-related changes other than net periodic pension cost	(20,882)	(7,522)
Other	(20,671)	(7,086)
Changes in operating assets and liabilities		
Trading securities, net	(156,426)	(75,420)
Patient accounts receivable	(477)	(86,820)
Third-party payors receivables and payables, net	(32,863)	64,865
Other assets and liabilities, net	(3,041)	9,262
Net cash provided by operating activities	<u>269,973</u>	<u>412,761</u>
Cash flows from investing activities		
Capital expenditures	(391,314)	(200,063)
Other	10	163
Net cash used in investing activities	<u>(391,304)</u>	<u>(199,900)</u>
Cash flows from financing activities		
Repayments of long-term debt, net	(134,665)	(151,730)
Proceeds from issuance of long-term debt	280,800	80,800
Proceeds from restricted contributions and income on investments	20,251	6,963
Net cash provided by (used in) financing activities	<u>166,386</u>	<u>(63,967)</u>
Net increase in cash and cash equivalents	45,055	148,894
Cash and cash equivalents at beginning of year	491,757	342,863
Cash and cash equivalents at end of year	<u>\$ 536,812</u>	<u>\$ 491,757</u>
Reconciliation of cash and cash equivalents to the balance sheet		
Cash and cash equivalents	482,279	443,244
Restricted cash in assets limited as to use	54,533	48,513
	<u>\$ 536,812</u>	<u>\$ 491,757</u>
Supplemental disclosures of noncash information		
Operating lease right-of-use assets in exchange for new operating lease liabilities	\$ 30,610	\$ 55,537

See accompanying notes to combined financial statements.

ATRIUM HEALTH WAKE FOREST BAPTIST
NOTES TO COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2024
(dollars in thousands)

1. ORGANIZATION AND BASIS OF PRESENTATION

Description of Business

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

AHWFB, including Wake Forest School of Medicine, and the Charlotte-Mecklenburg Hospital Authority ("Atrium Health CMHA") are part of a single enterprise (the Atrium Health Enterprise), which is governed and managed by Atrium Health Inc. ("AHI"), a North Carolina not-for-profit corporation, pursuant to a health system integration agreement and related agreements. Atrium Health CMHA and AHWFB and their affiliates maintain their separate legal existence and continue to own their own assets. No sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of the Atrium Health Enterprise.

AHI and Advocate Aurora Health, Inc. ("AAH"), a Delaware nonprofit nonstock corporation, entered into a joint operating agreement pursuant to which they created Advocate Health, Inc. ("Advocate Health"), a Delaware nonprofit nonstock corporation, to manage and oversee an integrated health care delivery and academic system which focuses on meeting patients' needs by redefining how, when and where care is delivered. AHI and AAH are the two corporate members of Advocate Health. AHI and the other participants in the Atrium Health Enterprise maintain their separate legal existence and no sale, transfer or other conveyance of assets or assumption of debt and liabilities occurred in connection with the formation of Advocate Health.

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

Principles of Combination

The combined financial statements of the entities collectively comprising AHWFB were prepared to comply with the terms of the MTI. All significant intercompany transactions have been eliminated in combination.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of the combined financial statements in conformity with accounting principles generally accepted in the United States ("GAAP") requires management to make estimates, assumptions and judgments that affect the reported amounts of assets, liabilities and amounts disclosed in the notes to the combined financial statements at the date of the combined financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time made, actual results could differ materially from those estimates.

Cash Equivalents

AHWFB considers all highly liquid investments with a maturity of three months or less when purchased, other than those included in the investment portfolio, to be cash equivalents.

Investments

AHWFB has designated substantially all its investments as trading. Investments in debt and equity securities with readily determinable fair values are measured at fair value using quoted market prices or otherwise observable inputs. Investments in private equity limited partnerships and derivative products (hedge funds) are reported at fair value using net asset value as a practical expedient. Commingled funds are carried at fair value based on other observable inputs. Investment returns designated for current operations are recorded in the operating section of the accompanying combined statements of operations and changes in net assets. Investment income or loss (including realized gains and losses, interest, dividends and unrealized gains and losses) is included in the nonoperating section of the accompanying combined statements of operations and changes in net assets, unless the income or loss is restricted by donor or law. Investment income or loss that is restricted by donor or law is reported as a change in net assets with donor restrictions.

Assets Limited as to Use

Assets limited as to use consist of investments set aside by AHWFB for future capital improvements and certain medical education and other health care programs. AHWFB retains control of these investments and may, at its discretion, subsequently use them for other purposes. Additionally, assets limited as to use include investments held by trustees or in trust under debt agreements, retirement plan assets and donor-restricted funds.

AHWFB's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuities for which AHWFB serves as trustee. Assets held in these trusts are stated at fair value and are included in assets limited as to use in the combined balance sheet. Contribution revenues are recognized at the dates the trusts are established. AHWFB 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 investment income, net in net assets with donor-restrictions in the combined statements of operations and changes in net assets.

AHWFB is the beneficiary of certain trusts and other assets held and administered by others. AHWFB's share of these assets is recorded at fair value with carrying values adjusted annually for changes in fair value.

Patient Service Revenue and Accounts Receivable

Patient service revenue is reported at the amount that reflects the consideration to which AHWFB expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payors (including managed care payors and government programs) and others and include variable consideration for retroactive revenue adjustments due to settlement of audits, reviews and investigations.

Revenue is recognized as performance obligations are satisfied. Performance obligations are identified based on the nature of the services provided. Revenue associated with performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. Performance obligations satisfied over time relate to patients receiving inpatient acute care services. AHWFB measures the performance obligation from admission into the hospital to the point when there are no further services required for the patient, which is generally the time of discharge. For outpatient services, the performance obligation is satisfied as the patient simultaneously receives and consumes the benefits provided as the services are performed. Management believes this method provides a faithful depiction of the transfer of services over the term of performance obligations based on the inputs needed to satisfy the obligations.

As AHWFB's performance obligations relate to contracts with a duration of less than one year, AHWFB has applied the optional exemption provided in the guidance and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which typically occurs within days or weeks of the end of the reporting period.

AHWFB uses a portfolio approach to account for categories of patient contracts as a collective group rather than recognizing revenue on an individual contract basis. The portfolios consist of major payor classes for inpatient revenue and major payor classes and types of services provided for outpatient revenue. Based on the historical collection trends and other analyses, AHWFB believes revenue recognized by utilizing the portfolio approach approximates the revenue that would have been recognized if an individual contract approach were used.

AHWFB determines the transaction price, which involves significant estimates and judgment, based on standard charges for goods and services provided, reduced by explicit and implicit price concessions, including contractual adjustments provided to third-party payors, discounts provided to uninsured and underinsured patients in accordance with policy and/or implicit price concessions based on the historical collection experience of patient accounts. AHWFB determines the transaction price associated with services provided to patients who have third-party payor coverage based on reimbursement terms per contractual agreements, discount policies and historical experience. For uninsured patients who do not qualify for charity care, AHWFB determines the transaction price associated with services based on charges reduced by implicit price concessions. Implicit price concessions included in the estimate of the transaction price are based on historical collection experience for applicable patient portfolios. Patients who meet AHWFB's criteria for charity care are provided care without charge; such amounts are not reported as revenue. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to patient service revenue in the period of the change.

AHWFB does not incur significant incremental costs in obtaining contracts with patients. Any costs incurred are expensed in the period of occurrence, as the amortization period of any asset that AHWFB would have recognized is one year or less in duration.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. Settlements with third-party payors for retroactive adjustments due to audits, reviews or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care using the most likely outcome method. These settlements are estimated based on the terms of the payment agreements with the payor, correspondence from the payor and historical settlement activity, including an assessment to ensure it is probable that a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as new information becomes available or as years are settled or are no longer subject to such audits, reviews and investigations. As a result, there is a possibility that recorded estimates will change by a material amount.

For the years ended December 31, 2024 and 2023, changes in AHWFB's estimates of implicit price concessions, discounts and contractual adjustments or other changes to expected payments for performance obligations related to prior years were not significant.

In the normal course of business, AHWFB does receive payments in advance for certain services provided and would consider these amounts to represent contract liabilities. The amounts received in the normal course of business at December 31, 2024 and 2023 were not material.

AHWFB does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component, due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less.

AHWFB has entered into payment arrangements with patients that allow for payments over a term in excess of one year. AHWFB has evaluated historical collections in excess of one year and current market interest rates to determine whether a significant financing component exists that would require an adjustment to the promised amount of consideration from patients and third-party payors. AHWFB has determined that the impact of implicit financing arrangements for payment agreements in excess of one year is insignificant to the accompanying combined statements of operations and changes in net assets.

Inventories

Inventories, consisting primarily of medical supplies, pharmaceuticals and durable medical equipment, are stated at the lower of cost or net realizable value. Inventories are included in other current assets in the accompanying consolidated balance sheets.

Reinsurance Receivables

Reinsurance receivables are recognized in a manner consistent with the liabilities relating to the underlying reinsured contracts. Reinsurance receivables are included in other current assets in the accompanying consolidated balance sheets.

Asset Impairment

AHWFB considers whether indicators of impairment are present and, if indicators are present, performs the necessary tests to determine if the carrying value of an asset is recoverable. Impairment write-downs are recognized in the accompanying combined statements of operations and changes in net assets as a component of operating expense at the time the impairment is identified. There were no material impairment charges recorded for the years ended December 31, 2024 and 2023.

Property and Equipment, Net

Property and equipment are reported at cost or, if donated, at fair value at the date of the gift. Costs of computer software developed or obtained for internal use, including external and internal direct costs of materials and labor directly associated with internal-use software development projects, are capitalized during the application development stage and included in property and equipment. Interest expense incurred during the period of construction of significant capital projects is capitalized as a component of the costs of the asset.

Property and equipment capitalized under direct financing leases are recorded at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Property and equipment capitalized under direct financing leases are amortized using the straight-line method over the related lease term. Amortization of property and equipment under financing leases is included in the accompanying combined statements of operations and changes in net assets in depreciation and amortization expense.

Property and equipment assets are depreciated on the straight-line method over the following estimated useful lives:

	Estimated Useful Life in Years
Land improvements	2-25
Buildings and other improvements	2-80
Fixed and movable equipment	2-25

Operating Lease Right-of-use Assets

AHWFB records an operating lease right-of-use asset (an asset that represents AHWFB's right to use the leased asset for the lease term) for leases that do not meet the criteria as a sales-type lease or a direct financing lease.

AHWFB records operating lease right-of-use assets at the present value of future lease payments, adding initial direct costs and prepaid lease payments, reduced by any lease incentives. Operating lease right-of-use assets are amortized using the straight-line method over the related lease term. Amortization of operating lease right-of-use assets is included in purchased services and other expense in the accompanying combined statements of operations and changes in net assets.

Goodwill

Goodwill of \$75,220 and \$84,622 is included in other noncurrent assets in the accompanying combined balance sheets as of December 31, 2024 and 2023, respectively. AHWFB has elected to amortize goodwill using the straight-line method over a 10-year period. Amortization is included in depreciation and amortization in the accompanying combined statements of operations and changes in net assets.

Amortization expense was \$9,402 and \$9,404 for the years ended December 31, 2024 and 2023, respectively.

Investments in Unconsolidated Entities

Investments in unconsolidated entities are included in other noncurrent assets in the accompanying combined balance sheets and are accounted for using the equity method or as an equity security without a readily determinable fair value. AHWFB applies the equity method of accounting for investments in unconsolidated entities when its ownership or membership interest is 50% or less and AHWFB has the ability to exercise significant influence over the operating and financial policies of the investee. The income (loss) on health-related unconsolidated entities is included in other revenue in the accompanying combined statements of operations and changes in net assets. The income (loss) on non-health-related unconsolidated entities is included in other nonoperating loss, net in the accompanying combined statements of operations and changes in net assets. All other unconsolidated entities are accounted for as an equity security without a readily determinable fair value. These unconsolidated entities are initially recorded at cost, tested for impairment at least annually and adjusted as market transactions occur that would indicate a fair value adjustment is needed. The income (loss) on these unconsolidated entities is included in other nonoperating loss, net in the accompanying combined statements of operations and changes in net assets.

Derivative Financial Instruments

AHWFB enters into transactions to manage its interest rate, credit and market risks. Derivative financial instruments, including exchange-traded and over-the-counter derivative contracts and interest rate swaps, are recorded as either assets or liabilities at fair value. Subsequent changes in a derivative's fair value are recognized in other nonoperating loss, net in the accompanying combined statements of operations and changes in net assets.

Bond Issuance Costs, Discounts and Premiums

Bond issuance costs, discounts and premiums are amortized over the term of the bonds using the effective interest method and are included in long-term debt, less current portion in the accompanying combined balance sheet.

General and Professional Liability Risks

The provision for self-insured general and professional liability claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported. AHWFB measures the cost of its unfunded obligations under such programs based upon actuarial calculations and records a liability on a discounted basis.

Net Assets with Donor Restrictions

Net assets with donor restrictions are those assets whose use has been limited by donors for a specific purpose or time period or are those for which donors require the principal of the gifts to be maintained in perpetuity to provide a permanent source of income. Contributions which impose restrictions that are met in the same fiscal year they are received are reported in other revenue in the accompanying combined statements of operations and changes in net assets.

Assets released from restrictions to fund purchases of property and equipment are reported as increases to net assets without donor restrictions in the accompanying combined statements of

operations and changes in net assets. Those assets released from restriction for operating purposes are reported in the accompanying combined statements of operations and changes in net assets as other revenue. When restricted, earnings are recorded in investment income, net in net assets with donor restrictions until amounts are expended in accordance with the donor's specifications.

Other Revenue

Other revenue is recognized at an amount that reflects the consideration to which AHWFB expects to be entitled in exchange for providing goods and services. The amounts recognized reflect consideration due from customers, third-party payors and others. Primary categories of other revenue include retail pharmacy revenue, medical education research grants and contracts, clinical integration revenue, managed care risk/quality shared savings revenue, and other miscellaneous revenue.

Other Nonoperating Loss, Net

Revenues and expenses related to the delivery of health care services are reported in operations. Income and losses that arise from transactions that are peripheral or incidental to AHWFB's main purpose are included in other nonoperating loss, net. Other nonoperating loss, net primarily consists of income or loss on investments in non-health-related unconsolidated entities and the net non-service components of the periodic benefit expense of AHWFB's pension plans.

Revenue in Excess of Expenses and Changes in Net Assets

The accompanying combined statements of operations and changes in net assets includes the revenue in excess of expenses as the performance indicator. Changes in net assets without donor restrictions, which are excluded from revenue in excess of expenses, primarily include pension-related changes other than net periodic pension costs.

Income Taxes

AHWFB is a tax exempt organization as described in Section 501(c)(3) of the Internal Revenue Code (the Code) and is 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. Fiscal years ending on or after December 31, 2021 remain subject to examination by federal and state tax authorities.

AHWFB has evaluated uncertain tax positions for the years ended December 31, 2024 and 2023, including a quantification of tax risks in areas such as unrelated business income. This evaluation did not have a material effect on AHWFB's combined financial statements for the years ended December 31, 2024 and 2023.

Accounting Pronouncements Adopted

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for applying current GAAP to contracts, hedging relationships and other transactions affected by the transition from the use of London Interbank Offered Rate ("LIBOR") to an alternative reference rate. In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which adds implementation guidance to ASU 2020-04 to clarify certain optional expedients in Topic 848. In December 2022, the FASB issued ASU 2022-06, *Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848*,

which deferred the sunset date of Topic 848 to December 31, 2024. AHWFB adopted these standards for the year ended December 31, 2024. The guidance did not have a material impact on AHWFB's accompanying combined financial statements.

Reclassifications in the Combined Financial Statements

Certain reclassifications were made to the 2023 combined financial statements to conform to the classifications used in 2024. There was no impact on previously reported net assets as of December 31, 2023 or change in net assets for the year ended December 31, 2023.

3. COMMUNITY BENEFIT

AHWFB provides health care services without charge or at discounted rates to patients who meet the criteria of its financial assistance policies. Charity care services provided under those policies are not reported as patient service revenue, because payment is not anticipated while the related costs to provide the health care are included in operating expenses. Qualifying patients can receive up to 100% discounts from charges and extended payment plans. AHWFB's cost of providing charity care was \$39,810 and \$38,057 for the years ended December 31, 2024 and 2023, respectively, as determined using total cost to charge ratios.

In addition to the provision of charity care, AHWFB provides significant financial support to its communities to sustain and improve health care services.

These activities include:

- The unreimbursed cost of providing care to patients covered by the Medicare and Medicaid programs.
- The cost of providing services that are not self-sustaining, for which patient service revenues are less than the costs required to provide the services. Such services benefit uninsured and low-income patients, as well as the broader community, but are not expected to be financially self-supporting.
- Other community benefits, which include the unreimbursed costs of community benefits programs and services for the general community, not solely for those demonstrating financial need, including the unreimbursed cost of medical education, health education, immunizations for children, support groups, health screenings and fairs.

4. REVENUE AND RECEIVABLES

Patient service revenue

The composition of patient service revenue by payor is as follows:

	Year Ended December 31, 2024		Year Ended December 31, 2023	
Managed care	\$	1,580,224 38 %	\$	1,560,921 39 %
Medicare		1,284,328 31 %		1,389,481 34 %
Medicaid		1,092,172 26 %		924,110 23 %
Self-pay and other		210,915 5 %		162,393 4 %
	\$	4,167,639 100 %	\$	4,036,905 100 %

Deductibles, copayments and coinsurance under third-party payment programs which are the patient's responsibility are included within the primary payor category in the table above.

Revenue disaggregated by service line is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Hospital	\$ 3,138,380	\$ 3,042,082
Clinic	1,012,911	978,473
Other	16,348	16,350
Total patient service revenue	<u>\$ 4,167,639</u>	<u>\$ 4,036,905</u>

The state of North Carolina utilizes supplemental reimbursement programs to increase reimbursement to providers to offset a portion of the cost of providing care to Medicaid and indigent patients. These programs are designed with input from the Centers for Medicare and Medicaid Services and are funded with a combination of state and federal resources, including assessments levied on the providers. Under these supplemental programs, which include the North Carolinas Healthcare Access & Stabilization Program (HASP), AHWFB recognizes revenue and related expenses in the period in which amounts are estimable and collection is reasonably assured.

Reimbursement and the assessment under these programs are reflected in the accompanying combined statements of operations and changes in net assets are as follows:

	Classification	Year Ended December 31, 2024	Year Ended December 31, 2023
Reimbursement	Patient service revenue	\$ 462,241	\$ 279,972
Assessment	Purchased services and other	235,884	158,595

Due to the timing of state approvals for HASP funding, in addition to calendar year 2024 HASP funding, AHWFB recognized HASP reimbursements of \$144,844 and assessments of \$33,212 related to the period July 1 – December 31, 2023 which are included in the table above for the year ended December 31, 2024.

There are no assurances regarding future reimbursement related to these Medicaid supplemental programs as they are subject to annual legislative and regulatory approvals that could be materially modified in the future.

Patient accounts receivable

The composition of patient accounts receivable is summarized as follows:

	December 31, 2024		December 31, 2024	
Managed care	\$ 213,093	44 %	\$ 210,752	44 %
Medicare	118,366	25 %	136,212	28 %
Medicaid	69,388	14 %	74,569	16 %
Self-pay and other	80,190	17 %	59,027	12 %
	<u>\$ 481,037</u>	<u>100 %</u>	<u>\$ 480,560</u>	<u>100 %</u>

The self-pay patient accounts receivable above includes amounts due from patients for co-insurance, deductibles, installment payment plans and amounts due from patients without insurance.

5. INVESTMENTS

AHWFB invests in a diversified portfolio of investments, including alternative investments, such as real asset funds, hedge funds and private equity limited partnerships, whose fair value was \$919,969 and

\$899,552 at December 31, 2024 and 2023, respectively. Collectively, these funds have liquidity terms ranging from daily to annual with notice periods typically ranging from 1 to 90 days. Certain of these investments have redemption restrictions that may restrict redemption for up to three years.

At December 31, 2024, AHWFB had additional commitments to fund alternative investments of \$588 over the next eight years.

Investment returns for assets limited as to use are composed of the following:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Interest income and dividends	\$ 43,667	\$ 33,237
Net realized gains	53,165	6,119
Net unrealized gains	96,486	119,801
Total	<u>\$ 193,318</u>	<u>\$ 159,157</u>

Investment returns are included in the accompanying combined statements of operations and changes in net assets as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Other revenue	\$ 37,196	\$ 37,180
Investment income, net	131,049	105,979
Net assets with donor restrictions	25,073	15,998
Total	<u>\$ 193,318</u>	<u>\$ 159,157</u>

The assets limited as to use presented within the accompanying combined balance sheet are comprised of the following:

	December 31, 2024	December 31, 2023
Endowment funds	\$ 842,036	\$ 794,180
Internally designated for capital and other	985,763	935,923
Held for self-insurance	1,948	821
Designated for restricted purposes by donor	56,171	57,077
Funds held under retirement and benefit plans	159,886	134,439
Collateral for derivative agreements	750	1,010
Beneficial interests in perpetual trusts and assets held by others	33,987	23,146
Other unrestricted investments	194,214	165,713
Total assets limited as to use	<u>\$ 2,274,755</u>	<u>\$ 2,112,309</u>

6. FAIR VALUE

AHWFB accounts for certain assets and liabilities at fair value and categorizes assets and liabilities measured at fair value in the accompanying combined financial statements based upon whether the inputs used to determine their fair values are observable or unobservable. Observable inputs are inputs that are based on market data obtained from sources independent of the reporting entity. Unobservable inputs are inputs that reflect the reporting entity's own assumptions about pricing the asset or liability, based on the best information available under the circumstances.

The fair value of all assets and liabilities recognized or disclosed at fair value are classified based on the lowest level of significant inputs. Assets and liabilities that are measured at fair value are disclosed and classified in one of the three categories. Category inputs are defined as follows:

Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities on the reporting date.

Level 2 — Inputs other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 — Inputs that are unobservable for the asset or liability for which there is little or no market data.

The following section describes the valuation methodologies used by AHWFB to measure financial assets and liabilities at fair value. In general, where applicable, AHWFB uses quoted prices in active markets for identical assets and liabilities to determine fair value. This pricing methodology applies to Level 1 investments, such as domestic and international equities, exchange-traded funds and agency securities.

If quoted prices in active markets for identical assets and liabilities are not available to determine the fair value, then quoted prices for similar assets and liabilities or inputs other than quoted prices that are observable either directly or indirectly are used. These investments are included in Level 2 and consist primarily of corporate notes and bonds, foreign government bonds, mortgage-backed securities, fixed-income securities, including fixed-income government obligations, United States equities, which are not traded on an active exchange. The fair value for the obligations under swap agreements included in Level 2 is estimated using industry-standard valuation models. These models project future cash flows and discount the future amounts to a present value using market-based observable inputs, including interest rate curves. The fair values of the obligation under swap agreements include adjustments related to AHWFB's credit risk.

Investments owned by AHWFB are exposed to various kinds and levels of risk. Equity securities and equity funds expose AHWFB to market risk, performance risk and liquidity risk for both domestic and international investments. Market risk is the risk associated with major movements of the equity markets. Performance risk is the risk associated with a company's operating performance. Fixed-income securities and fixed-income mutual funds expose AHWFB to interest rate risk, credit risk and liquidity risk. As interest rates change, the value of many fixed-income securities is affected, including those with fixed interest rates. Credit risk is the risk that the obligor of the security will not fulfill its obligations. Liquidity risk is affected by the willingness of market participants to buy and sell particular securities. Liquidity risk tends to be higher for equities related to small capitalization companies and certain alternative investments. Due to the volatility in the capital markets, there is a reasonable possibility of subsequent changes in fair value, resulting in additional gains and losses in the near term.

The carrying values of cash and cash equivalents, accounts receivable and payable, other current assets and accrued liabilities are reasonable estimates of their fair values, due to the short-term nature of these financial instruments.

The fair values of financial assets and liabilities measured at fair value on a recurring basis are as follows:

	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 105,490	\$ 104,790	\$ 700	\$ —
Corporate bonds and other debt securities	75,542	—	75,542	—
United States government bonds	81,804	—	81,804	—
Bond and other debt security funds	267,570	267,570	—	—
Non-government fixed-income obligations	160	—	160	—
Equity securities	27,844	27,832	—	12
Equity funds	501,610	234,241	267,369	—
Real asset funds	100,275	100,242	—	33
Absolute return funds	—	—	—	—
Pooled Investments held at WFU	618	—	—	618
Perpetual trusts and assets held by others	33,987	—	—	33,987
Funds held under retirement and benefit plans	159,886	—	159,886	—
	1,354,786	\$ 734,675	\$ 585,461	\$ 34,650
Investments at net asset value				
Alternative investments	919,969			
Total investments	<u>\$ 2,274,755</u>			
Liabilities				
Obligations under swap agreements	<u>\$ (638)</u>		<u>\$ (638)</u>	
Liabilities under retirement and benefit plans	<u>\$ (159,886)</u>		<u>\$ (159,886)</u>	

	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Assets				
Cash and cash equivalents	\$ 89,436	\$ 89,436	\$ —	\$ —
Corporate bonds and other debt securities	52,212	—	52,212	—
United States government bonds	76,359	—	76,359	—
Bond and other debt security funds	230,914	230,914	—	—
Non-government fixed-income obligations	236	—	236	—
Equity securities	4,599	3,105	—	1,494
Equity funds	490,702	249,945	240,757	—
Real asset funds	109,318	109,289	—	29
Absolute return funds	288	144	144	—
Pooled Investments held at WFU	1,108	—	—	1,108
Perpetual trusts and assets held by others	23,146	—	—	23,146
Funds held under retirement and benefit plans	134,439	—	134,439	—
	1,212,757	\$ 682,833	\$ 504,147	\$ 25,777

Investments at net asset value

Alternative investments	899,552
Total investments	\$ 2,112,309

Liabilities

Obligations under swap agreements	\$ (1,058)	\$ (1,058)
Liabilities under retirement and benefit plans	\$ (137,704)	\$ (137,704)

The following tables present the activity for Level 3 investments and assets whose use is limited:

December 31, 2024	Beginning balance	Realized and unrealized losses	Purchases	Sales	Transfers into and (out) of Level 3	Ending balance
Equity securities	\$ 1,494	\$ —	\$ 309	\$ (1,791)	\$ —	\$ 12
Real asset funds	29	4	—	—	—	33
Pooled investments at WFU	1,108	39	—	(529)	—	618
Beneficial interest in perpetual trusts and assets held by others	23,146	2,076	9,219	(454)	—	33,987
Total Level 3 investments	\$ 25,777	\$ 2,119	\$ 9,528	\$ (2,774)	\$ —	\$ 34,650

December 31, 2023	Beginning balance	Realized and unrealized losses	Purchases	Sales	Transfers into and (out) of Level 3	Ending balance
Equity securities	\$ 490	\$ —	\$ 1,494	\$ (490)	\$ —	\$ 1,494
Real asset funds	28	1	—	—	—	29
Pooled investments at WFU	1,646	597	—	(1,135)	—	1,108
Beneficial interest in perpetual trusts and assets held by others	19,754	546	2,964	(118)	—	23,146
Total Level 3 investments	\$ 21,918	\$ 1,144	\$ 4,458	\$ (1,743)	\$ —	\$ 25,777

Transfers into and out of Level 3 are typically the result of a change in observation of significant valuation inputs required by various models.

7. ENDOWMENT

AHWFB's pooled endowment funds consist of 811 individual funds established for a variety of purposes, but primarily to support its academic activities, including both donor-restricted endowment funds and funds designated by the WFUBMC Board of Directors to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Directors to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. Gift annuities, beneficial interest in perpetual trusts, assets held by others and contributions receivable are not considered components of the endowment.

The Board of Directors has implemented a spending policy for AHWFB designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with the policy, a predetermined endowment spending rate consistent with AHWFB's total return objective has been established and approved by the Board of Directors. Should endowment yields prove to be insufficient to support this policy, the balance is provided from capital gains. Should endowment yields exceed the amounts necessary to maintain this objective, the balance is reinvested in the endowment. The endowment spending rate for the year ended December 31, 2024 and 2023 was approximately 5.3%, calculated as a percentage of the average of the previous three-year semi-annual moving market value on a per unit basis.

The Board of Directors has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as allowing AHWFB to appropriate for expenditure or accumulate so much of an endowment fund as AHWFB determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument.

As a result of this interpretation, AHWFB's policy is to report as net assets with donor restrictions (i) the original value of gifts donated to the permanent endowment, (ii) the original value of subsequent gifts to the permanent endowment and (iii) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, AHWFB considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- a. The duration and preservation of the fund.
- b. The purpose of the donor-restricted endowment fund.
- c. General economic conditions.
- d. The possible effect of inflation and deflation.
- e. The expected total return from income and the appreciation of investments.
- f. Other resources of AHWFB's Investment Committee.
- g. The investment policies of AHWFB's Investment Committee.

AHWFB endowment net assets consist of the following at:

December 31, 2024	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 523,952	\$ —	\$ 523,952
Donor-restricted endowment funds:			—
Underwater funds	—	(456)	(456)
Other funds:			
Historical value	—	251,398	251,398
Appreciation	—	67,142	67,142
Total pooled endowment funds	523,952	318,084	842,036
Other non-pooled endowment funds	1,664	52,896	54,560
Endowment net assets	<u>\$ 525,616</u>	<u>\$ 370,980</u>	<u>\$ 896,596</u>

December 31, 2023	Without donor restrictions	With donor restrictions	Total
Board-designated endowment funds	\$ 499,064	\$ —	\$ 499,064
Donor-restricted endowment funds:			—
Underwater funds	—	(605)	(605)
Other funds:			
Historical value	—	242,057	242,057
Appreciation	—	53,664	53,664
Total pooled endowment funds	499,064	295,116	794,180
Other non-pooled endowment funds	1,587	49,757	51,344
Endowment net assets	<u>\$ 500,651</u>	<u>\$ 344,873</u>	<u>\$ 845,524</u>

Changes in AHWFB endowment net assets for the years ended December 31, 2024 and 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, balance at January 1, 2023	\$ 489,420	\$ 280,645	\$ 770,065
Investment return:			
Investment income	1,294	777	2,071
Net appreciation	32,832	18,017	50,849
Total investment return	34,126	18,794	52,920
Contributions	—	54,547	54,547
Appropriation for expenditure	(25,594)	(9,113)	(34,707)
Transfers to create new board-designated endowment funds	2,699	—	2,699
Endowment net assets, balance at December 31, 2023	<u>\$ 500,651</u>	<u>\$ 344,873</u>	<u>\$ 845,524</u>
Investment return:			
Investment income	1,190	582	1,772
Net appreciation	43,095	25,786	68,881
Total investment return	44,285	26,368	70,653
Contributions	—	10,827	10,827
Appropriation for expenditure	(26,610)	(11,088)	(37,698)
Transfers to create new board-designated endowment funds	7,290	—	7,290
Endowment net assets, balance at December 31, 2024	<u>\$ 525,616</u>	<u>\$ 370,980</u>	<u>\$ 896,596</u>

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the original gifts. Deficiencies of this nature existed in thirteen and eighteen donor-restricted endowments at December 31, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment funds and continued appropriation for certain programs that was deemed prudent by the AHWFB Board of Directors. The amount by which the funds were underwater was calculated as follows:

	December 31, 2024	December 31, 2023
Aggregate original gift amount	\$ 4,320	\$ 5,366
Aggregate fair value	3,864	4,761
Aggregate deficiency	<u>\$ (456)</u>	<u>\$ (605)</u>

AHWFB builds allowable underwater spending into its endowment fund agreements, which is agreed upon and signed by any donor. The applicable distribution may be taken from an endowment fund irrespective of whether the fund's balance is above the total amount of gifts for the fund and any required accumulation from earnings, so long as prudence measures continue to be met. The AHWFB Board appropriated \$191 and \$246 for expenditure from endowment funds underwater during the years ended December 31, 2024 and 2023, respectively, following its normal procedure of a 5.3% distribution rate based on a three-year semi-annual moving average.

8. PROPERTY AND EQUIPMENT, NET

The components of property and equipment, net are summarized as follows:

	December 31, 2024	December 31, 2023
Land and improvements	\$ 203,936	\$ 207,006
Buildings and other improvements	1,997,509	2,034,704
Fixed and moveable equipment	1,044,899	1,243,198
Construction-in-progress	457,031	193,003
	<u>3,703,375</u>	<u>3,677,911</u>
Accumulated depreciation	<u>(2,123,538)</u>	<u>(2,359,116)</u>
Property and equipment, net	<u>\$ 1,579,837</u>	<u>\$ 1,318,795</u>

Property and equipment, net include assets recorded as finance leases and under other financing arrangements. See additional disclosure in Note 9. LEASES.

Depreciation expense was \$134,512 and \$146,346 for the years ended December 31, 2024 and 2023, respectively.

9. LEASES

AHWFB leases office and clinical space, land and equipment. Leases with an initial term of 12 months or less are not recorded on the combined balance sheet. AHWFB combines lease and non-lease components, except for medical equipment leases.

The depreciable lives of assets are limited by the expected lease terms. Most leases include options to renew. The majority of leases do not provide an implicit rate; therefore, AHWFB has elected to use its incremental borrowing rate, which is the interest rate AHWFB would borrow on a collateralized basis over a similar term, as the discount rate.

Operating and finance leases are classified as follows within the accompanying combined balance sheet:

Leases	Classification	December 31, 2024	December 31, 2023
Assets			
Operating	Operating lease right-of-use assets	\$ 154,937	\$ 171,857
Finance	Property and equipment, net	29,585	31,799
Total lease assets		<u>\$ 184,522</u>	<u>\$ 203,656</u>
Liabilities			
Current			
Operating	Operating lease liabilities, current portion	\$ 42,600	\$ 41,506
Finance	Long-term debt, current portion	969	1,238
Noncurrent			
Operating	Operating lease liabilities, less current portion	118,278	137,401
Finance	Long-term debt, less current portion	21,381	22,405
Total lease liabilities		<u>\$ 183,228</u>	<u>\$ 202,550</u>

Finance lease assets are recorded net of accumulated amortization of \$11,570 and \$12,872 as of December 31, 2024 and 2023.

Lease costs are classified as follows within the accompanying combined statements of operations and changes in net assets:

Lease cost	Classification	December 31, 2024	December 31, 2023
Operating lease cost	Purchased services and other	\$ 47,530	\$ 46,453
Short term and variable lease cost	Purchased services and other	6,383	8,533
Finance lease cost			
Amortization of lease assets	Depreciation and amortization	1,910	3,316
Interest on lease liabilities	Interest	959	2,123
Net lease cost		<u>\$ 56,782</u>	<u>\$ 60,425</u>

Lease terms, discount rates and other supplemental information are as follows:

	December 31, 2024	December 31, 2023
Weighted average remaining lease term (in years)		
Operating	4.3	4.6
Finance	21.1	21.5
Weighted average discount rate		
Operating	3.70 %	3.32 %
Finance	4.00 %	3.98 %
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 47,723	\$ 46,552
Operating cash flows from finance leases	959	2,123
Financing cash flows from finance leases	1,065	2,371

Future maturities of lease liabilities at December 31, 2024 are as follows:

	Operating Leases	Finance Leases	Total
2025	\$ 47,672	\$ 1,848	\$ 49,520
2026	44,941	1,571	46,512
2027	37,444	1,551	38,995
2028	19,366	1,438	20,804
2029	10,917	1,231	12,148
Thereafter	15,038	27,778	42,816
Future minimum lease payments	175,378	35,417	210,795
Less remaining imputed interest	14,499	13,067	27,566
Total	<u>\$ 160,879</u>	<u>\$ 22,350</u>	<u>\$ 183,229</u>

10. LONG-TERM DEBT

Long-term debt consists of the following:

	December 31, 2024	December 31, 2023
Revenue bonds and revenue refunding bonds		
Series 2012A, 4.00% to 5.00%, principal payable in varying annual installments through December 2046	\$ 118,405	\$ 118,405
Series 2012B, 2.00% to 5.00%, principal payable in varying annual installments through December 2034	61,405	66,845
Series 2012D (weighted average rate of 4.66%), principal payable in varying annual installments through December 2043; interest based on adjusted SOFR plus a tax-exempt spread of 0.5925%	80,000	80,000
Taxable Bond Series 2019A, 5.00%, principal payable in varying annual installments through December 2034	26,600	30,920
Taxable Bond Series 2019B, (weighted average rate of 3.97%); principal payable in varying annual installments through December 2048; interest based on SIFMA plus 0.616%	105,905	105,905
Taxable Bond Series 2019C, 2.55%, principal payable in varying annual installments through June 2048	60,605	60,605
Taxable Bond Series 2020, 2.31%, principal payable in varying annual installments through June 2033	165,005	182,005
	<u>617,925</u>	<u>644,685</u>
Taxable bonds		
Taxable Bond Series 2016, 3.093% to 4.175%, principal payable in varying annual installments through June 2046	150,000	150,000
Line of credit	200,000	19,199
Finance lease obligations and financing arrangements	<u>35,876</u>	<u>43,783</u>
	<u>1,003,801</u>	<u>857,667</u>
Net unamortized premiums and unamortized bond issuance costs	<u>10,057</u>	<u>11,160</u>
	<u>1,013,858</u>	<u>868,827</u>
Less amounts classified as current		
Long-term debt, current portion	<u>(232,066)</u>	<u>(53,201)</u>
	<u>\$ 781,792</u>	<u>\$ 815,626</u>

Maturities of long-term debt for the five years ending December 31, 2029, are as follows:

2025	\$	232,066
2026		108,817
2027		31,392
2028		29,756
2029		30,408

Debt issued under the MTI is payable solely from the Obligated Group's revenues (as defined by the MTI). Additionally, the Combined Group must remain compliant with certain covenants and restrictions required by the MTI and loan agreements underlying the bonds. The Combined Group is subject to covenants under the MTI containing restrictions or limitations with respect to indebtedness, property encumbrance, consolidation or merger or transfer of assets. In addition, the Combined Group has agreed that it will not create any lien upon its property, accounts, or revenue now owned or hereafter acquired other than "permitted liens" as described in the MTI.

At December 31, 2024 and 2023, AHWFB had lines of credit with banks aggregating to \$300,000 in available commitments. These lines of credit provide for various interest rates and payment terms and as of December 31, 2024 expire as follows: \$200,000 in May 2025 and \$100,000 in June 2025. These lines of credit may be used to redeem bonded indebtedness, to pay costs related to such redemptions, for capital expenditures, for general working capital purposes or to provide for certain letters of credit. At December 31, 2024 and 2023, \$200,000 and \$19,199 was outstanding on these lines of credit, respectively.

AHWFB's interest paid amount encompasses all debt agreements including revenue bonds and revenue refunding bonds, taxable bonds, finance lease obligations, financing arrangements and interest rate swaps. AHWFB's interest paid amounted to \$31,874 and \$34,250 for the years ended December 31, 2024 and 2023, respectively.

11. INTEREST RATE SWAP PROGRAM

AHWFB has interest rate-related derivative instruments to manage the exposure of its variable rate debt instruments. By using derivative financial instruments to manage the risk of changes in interest rates, AHWFB exposes itself to credit risk and market risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contracts. When the fair value of a derivative contract is positive, the counterparty owes AHWFB, which creates credit risk for AHWFB. When the fair value of a derivative contract is negative, AHWFB owes the counterparty and, therefore, it does not possess credit risk. AHWFB may minimize the credit risk in derivative instruments by entering into transactions that require the counterparty to post collateral for the benefit of AHWFB based on the credit rating of the counterparty and the fair value of the derivative contract. Market risk is the adverse effect on the value of a derivative financial instrument that results from a change in interest rates. The market risk associated with interest rate changes is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken. AHWFB also mitigates risk through periodic reviews of its derivative positions in the context of its total blended cost of capital.

At December 31, 2024, AHWFB has a swap that is being held as a swap portfolio as the related debt is no longer outstanding.

The following is a summary of the outstanding position under this interest rate swap agreement at December 31, 2024:

Bond Series	Notional Amount	Maturity Date	Rate Received	Rate Paid
Swap portfolio	\$ 15,161	July 1, 2034	67% of SOFR	3.67 %

The swap is not designated as a hedging instrument and, therefore, hedge accounting has not been applied. As such, unrealized changes in fair value of the swap is classified as other nonoperating loss, net in the accompanying combined statements of operations and changes in net assets. The net cash settlement payments, representing the realized changes in fair value of the swaps, are included as interest expense in the accompanying combined statements of operations and changes in net assets.

The fair value of the interest rate swap agreement was a liability of \$638 and \$1,058 as of December 31, 2024 and 2023, respectively, for which AHWFB has posted collateral of \$750 and \$1,010 as of December 31, 2024 and 2023, respectively. The collateral to support the swap is included in assets whose use is limited.

Amounts recorded in the accompanying combined statements of operations and changes in net assets are as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Net cash payments on interest rate swap agreements (interest expense)	\$ 3	\$ 38
Change in fair value of interest rate swaps (other nonoperating loss, net)	\$ 420	\$ 123

12. RETIREMENT PLANS

AHWFB maintains various employee retirement benefit plans available to qualifying employees and retirees.

The NCBH pension plan was frozen effective December 31, 2011 to new participants and participants ceased accruing additional pension benefits. The net pension benefit obligation of \$40,912 and \$63,713 at December 31, 2024 and 2023, respectively, is included in other noncurrent liabilities in the accompanying combined balance sheet.

A summary of changes in the plan assets, projected benefit obligation and the resulting funded status is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Change in plan assets:		
Plan assets at fair value at beginning of period	\$ 269,018	\$ 256,015
Actual return on plan assets	9,337	31,321
Employer contributions	10,926	—
Benefits paid	(18,871)	(18,318)
Plan assets at fair value at end of period	<u>\$ 270,410</u>	<u>\$ 269,018</u>
Change in projected benefit obligation:		
Projected benefit obligation at beginning of period	\$ 332,731	\$ 327,113
Interest cost	16,193	16,528
Actuarial (gain) loss	(18,731)	7,408
Benefits paid	(18,871)	(18,318)
Projected benefit obligation at end of period	<u>\$ 311,322</u>	<u>\$ 332,731</u>
Plan assets less than projected benefit obligation	<u>\$ (40,912)</u>	<u>\$ (63,713)</u>
Accumulated benefit obligation at end of period	<u>\$ 311,322</u>	<u>\$ 332,731</u>

The Plan actuarial gain of \$18,731 for the year ending December 31, 2024 was primarily driven by changes in the discount rate and data updates.

The Plan actuarial loss of \$7,408 for the year ending December 31, 2023 was primarily driven by changes in the discount rate and data updates.

Pension plan expense included in other nonoperating loss, net in the accompanying combined statements of operations and changes in net assets is as follows:

	Year Ended December 31, 2024	Year Ended December 31, 2023
Interest cost	\$ 16,193	\$ 16,528
Expected return on plan assets	(12,836)	(16,337)
Amortization of:		
Actuarial loss	4,893	—
Net pension expense	<u>\$ 8,250</u>	<u>\$ 191</u>

The net change recognized in net assets without donor restrictions as a component of pension-related changes other than net periodic pension cost was \$20,125 and \$7,575 for the years ended December 31, 2024 and 2023, respectively.

Unrecognized actuarial loss of \$35,453 has not yet been recognized in net pension expense and is Included in net assets without donor restrictions at December 31, 2024.

Expected employee benefit payments to be paid from the Plan are as follows:

	<u>Total</u>
2025	21,377
2026	21,951
2027	22,478
2028	22,955
2029	23,286
2030-2034	<u>117,179</u>
Total	<u>\$ 229,226</u>

AHWFB expects to contribute \$7,762 to the Plan in 2025. Employer contributions are paid from employer assets. No plan assets are expected to be returned to the employer. All benefits paid under the Plan were paid from the Plan's assets.

AHWFB's asset allocation and investment strategies are designed to earn returns on plan assets consistent with a reasonable and prudent level of risk. Investments are diversified across classes, economic sectors and manager style to minimize the risk of loss. The de-risking portfolio is comprised of cash and fixed income instruments designed to hedge Plan liabilities. AHWFB utilizes investment managers specializing in each asset category and, where appropriate, provides the investment manager with specific guidelines that include allowable and/or prohibited investment types. AHWFB regularly monitors manager performance and compliance with investment guidelines. In 2024, the investment policy was updated to asset allocation targets being on a floating basis dependent on the funded status of the Plan. The targets noted in the table below are based on the funded status of the Plan on December 31, 2024 and 2023:

AHWFB's target and actual pension asset allocations for the Plan are as follows:

	<u>December 31, 2024</u>		<u>December 31, 2023</u>	
	<u>Asset Allocation Target Range*</u>	<u>Actual</u>	<u>Target</u>	<u>Actual</u>
De-risking portfolio	50%-85%	52 %	50%-85%	52 %
Return seeking portfolio	15%-50%	48 %	15%-50%	48 %

**Based on a PBO Funded Status Range of 80%-100%*

Fair value methodologies for Level 1 and Level 2 are consistent with the inputs described in Note 6. FAIR VALUE. AHWFB opted to use the net asset value per share, or its equivalent, as a practical expedient for the fair value of the Plan's interest in hedge funds, private equity limited partnerships and real estate commingled funds. There is inherent uncertainty in such valuations and the estimated fair values may differ from the values that would have been used had a ready market for these investments existed. Private equity limited partnerships and real estate commingled funds typically have finite lives ranging from five to ten years, at the end of which all invested capital is returned. For hedge funds, the typical lockup period is one year, after which invested capital can be redeemed on a quarterly basis with at least 30 days' but no more than 90 days' notice. The Plan's investment assets are exposed to the same kinds and levels of risk as described in Note 6. FAIR VALUE.

The following are the Plan's financial instruments at December 31, 2024, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 6. FAIR VALUE:

Description	December 31, 2024	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 2,094	\$ 2,094	\$ —	\$ —
Corporate bonds and other debt securities	121,792	2,728	119,064	—
United States government obligations	40,478	—	40,478	—
Bond and other debt security funds	9,035	3,120	5,915	—
Equity funds	112,658	112,658	—	—
	286,057	\$ 120,600	\$ 165,457	\$ —

Investments at net asset value

Alternative investments	17,498
Total plan investments	303,555
Accruals carried at cost	(33,145)
Total plan assets	<u>\$ 270,410</u>

The following are the Plan's financial instruments at December 31, 2023, measured at fair value on a recurring basis by the valuation hierarchy defined in Note 6. FAIR VALUE:

Description	December 31, 2023	Quoted Prices in Active Markets for Identical Assets (Level 1)	Other Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Cash and short-term investments	\$ 1,246	\$ 1,246	\$ —	\$ —
Corporate bonds and other debt securities	110,371	1,393	108,978	—
United States government obligations	45,322	—	45,322	—
Bond and other debt security funds	8,413	2,931	5,482	—
Equity funds	104,509	104,509	—	—
	269,861	\$ 110,079	\$ 159,782	\$ —

Investments at net asset value

Alternative investments	25,678
Total plan investments	295,539
Accruals carried at cost	(26,521)
Total plan assets	<u>\$ 269,018</u>

Assumptions used to determine benefit obligations are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	5.74 %	5.02 %
Assumed rate of return on assets	5.20 %	5.00 %

Assumptions used to determine benefit cost are as follows:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Discount rate	5.02 %	5.21 %
Assumed rate of return on assets	5.00 %	5.50 %

The assumed rate of return on each of the Plan assets is based on historical and projected rates of return for asset classes in which the portfolio is invested.

The 2024 and 2023 mortality assumption for the Plan was based on the Pri-2012 table projected generationally from 2012 with Scale MP-2021.

In addition, AHWFB sponsors a defined contribution plan for its employees. Expense related to the plan, which is included in salaries, wages and benefits expense in the accompanying combined statements of operations and changes in net assets, was \$128,553 and \$117,628 for the years ended December 31, 2024 and 2023, respectively.

13. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are available for the following purposes:

	<u>December 31, 2024</u>	<u>December 31, 2023</u>
Academic instruction and research	\$ 497,561	\$ 442,237
Other health care related programs	25,581	24,266
	<u>\$ 523,142</u>	<u>\$ 466,503</u>

14. FUNCTIONAL OPERATING EXPENSES

Operating expenses are presented by functional classification in accordance with the overall service mission of AHWFB, either academic instruction and research or health care services. Operating expenses directly attributable to a specific functional area of AHWFB are reported as expenses of those functional areas. Depreciation of plant assets, interest expense, and plant operation and maintenance expense are allocated to program and supporting activities based on square footage per periodic inventories of facilities. General and administrative expenses primarily include legal, finance, marketing, supply chain, and human resources.

Functional operating expenses for the year ended December 31, 2024 are as follows:

	Academic instruction and research	Health care services	General and administrative	Total
Salaries, wages and benefits	\$ 334,933	\$ 2,381,751	\$ 216,019	\$ 2,932,703
Supplies and drugs	81,988	1,259,371	—	1,341,359
Purchased services and other	119,441	592,008	89,706	801,155
Depreciation and amortization	10,184	117,874	15,857	143,915
Interest	1,597	18,687	10,876	31,160
Total operating expenses	<u>\$ 548,143</u>	<u>\$ 4,369,691</u>	<u>\$ 332,458</u>	<u>\$ 5,250,292</u>

Functional operating expenses for the year ended December 31, 2023 are as follows:

	Academic instruction and research	Health care services	General and administrative	Total
Salaries, wages and benefits	\$ 258,645	\$ 2,254,702	\$ 299,636	\$ 2,812,983
Supplies and drugs	25,841	1,156,050	—	1,181,891
Purchased services and other	105,861	498,221	112,526	716,608
Depreciation and amortization	11,793	124,406	19,551	155,750
Interest	2,080	20,234	11,246	33,560
Total operating expenses	<u>\$ 404,220</u>	<u>\$ 4,053,613</u>	<u>\$ 442,959</u>	<u>\$ 4,900,792</u>

15. LIQUIDITY

AHWFB's financial assets available within one year of the combined balance sheets date for general expenditures are as follows:

	December 31, 2024	December 31, 2023
Cash and cash equivalents	\$ 482,279	\$ 443,244
Patient accounts receivable	481,037	480,560
Assets limited as to use		
Endowment funds	842,036	794,180
Internally designated for capital and other	985,763	935,923
Held for self-insurance	1,948	821
Designated for restricted purposes by donor	56,171	57,077
Funds held under retirement and benefit plans	159,886	134,439
Collateral for derivative agreements	750	1,010
Beneficial interests in perpetual trusts and assets held by others	33,987	23,146
Other unrestricted investments	194,214	165,713
Total assets limited as to use	2,274,755	2,112,309
Total financial assets	<u>\$ 3,238,071</u>	<u>\$ 3,036,113</u>
Less		
Amounts unavailable for general expenditures		
Amounts not available to be liquidated within one year	43,288	47,704
Total amounts unavailable for general expenditure	<u>43,288</u>	<u>47,704</u>
Amounts unavailable to management without approval		
Donor restricted endowment	318,084	295,116
Collateral for derivative agreements	750	1,010
Beneficial interests in perpetual trusts and assets held by others	33,987	23,146
Held for employees under retirement plans	159,886	134,439
Designated for restricted purposes by donor	54,671	55,654
Total amounts unavailable to management without approval	<u>567,378</u>	<u>509,365</u>
Total financial assets available to management for general expenditure within one year	<u>\$ 2,627,405</u>	<u>\$ 2,479,044</u>

16. COMMITMENTS AND CONTINGENCIES

Future Obligations

AHWFB is committed to constructing additions and renovations to its medical facilities that are expected to be completed in future years. The estimated cost of these commitments is \$1,136,069, of which \$419,891 has been incurred as of December 31, 2024.

Litigation

From time to time, AHWFB receives and responds to investigations and requests concerning possible violations of reimbursement, false claims, anti-kickback and anti-referral statutes, environmental regulations, and other regulations of health care providers from federal and state regulatory agencies. There can be no assurance that regulatory authorities will not challenge AHWFB's compliance with these laws and regulations, and it is not possible to determine the impact, if any, such claims, or penalties would have on AHWFB. To foster compliance with applicable laws and regulations, AHWFB maintains a compliance program designed to detect and correct potential violations of laws and regulations related to its programs.

While the final outcomes of the various legal actions that AHWFB is currently involved in cannot be determined at this time, management is of the opinion that the resolution of these legal actions will not have a material effect on the financial position of AHWFB.

17. GENERAL AND PROFESSIONAL LIABILITY RISKS

AHWFB maintains professional liability coverage, which include a per occurrence and an annual aggregate self-insurance limit.

The estimated cost of claims is actuarially determined based on past experience, as well as other considerations, including the nature of each claim or incident and relevant trend factors. Accrued insurance liabilities and contributions were determined using a discount rate of 4.00% as of December 31, 2024 and 2023, respectively. AHWFB's accrued professional liability costs, including estimated claims incurred but not reported, totaled \$66,403 and \$84,021 at December 31, 2024 and 2023, respectively, and are included in accounts payable and other accrued liabilities and other noncurrent liabilities, as applicable, in the combined balance sheets. Total accrued insurance liabilities would have been \$9,504 and \$7,075 greater at December 31, 2024 and 2023, respectively, had these liabilities not been discounted.

18. RELATED-PARTY TRANSACTIONS

As part of the agreements that established the Atrium Health Enterprise, Atrium Health CMHA promised to provide an Academic Enrichment Fund consisting of \$10,000 per year for seven years to AHWFB. Atrium Health CMHA contributed \$10,000 to AHWFB during both fiscal years 2024 and 2023. AHWFB's contribution receivable from Atrium Health CMHA amounted to \$30,000 and \$40,000 at December 31, 2024 and 2023, respectively. AHWFB recorded \$10,000 of the contribution receivable in current assets at December 31, 2024 and 2023 and \$20,000 and \$30,000 of the contribution receivable in other noncurrent assets at December 31, 2024 and 2023, respectively, in the accompanying combined balance sheet.

As part of the Advocate Health joint operating agreement, Atrium Health CMHA contributed \$47,000 to AHWFB in 2023 to create an academic endowment to be used to support academic enrichment activities such as recruitment of academic and research faculty, bridge funding for researchers, new or enhanced academic programs and related development of flagship/destination clinical programs ("the New Academic Endowment"). The agreement stipulates that the New Academic Endowment should be invested without distribution until January 1, 2028, at which time and continuing each year thereafter, 4.75% of the prior year ending balance of the New Academic Endowment shall be made available in equal quarterly installments to WFUBMC. Additionally, the agreement has a "right of return" clause that states that if WFUBMC terminates its participation in the Advocate Enterprise within the first ten years, the New Academic Endowment must be returned to CMHA within thirty days following the effective date of such termination. Because of this condition upon the contribution, AHWFB recorded the \$47,000 to other noncurrent liabilities. The funds are invested similarly to AHWFB's traditional endowments, but the \$47,000 will not be moved from other noncurrent liabilities to donor-restricted contributions until May 2032, when the "right of return" clause expires.

19. SUBSEQUENT EVENTS

AHWFB evaluated events and transactions subsequent to December 31, 2024 through April 9, 2025, the date of combined financial statements issuance.

Supplementary Information



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**Shape the future
with confidence**

Report of Independent Auditors on Supplementary Information

The Board of Directors
Advocate Health, Inc.

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying combining balance sheets and combining statements of operations and changes in net assets are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst & Young LLP

April 9, 2025

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

December 31, 2024									
	NCBH	WFUHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non-Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Assets									
Current assets									
Cash and cash equivalents	\$ 20,683	\$ 27,602	\$ 427,467	\$ 6,527	\$ —	\$ 482,279	\$ (31,083)	\$ —	\$ 451,196
Patient receivable	308,440	113,258	57,305	2,034	—	481,037	(24,886)	—	456,151
Other current assets	365,673	277,815	438,605	11,920	(717,704)	376,309	(42,826)	—	333,483
Total current assets	694,796	418,675	923,377	20,481	(717,704)	1,339,625	(98,795)	—	1,240,830
Assets limited as to use	1,059,388	1,095,986	119,381	—	—	2,274,755	(127,238)	—	2,147,517
Property and equipment, net	822,574	379,960	367,256	10,047	—	1,579,837	(106,042)	—	1,473,795
Operating lease right-of-use assets	14,070	95,380	53,650	4,719	(12,882)	154,937	(52,018)	—	102,919
Other noncurrent assets	287,133	258,522	113,726	—	(464,405)	194,976	(85,528)	(73,165)	36,283
Total assets	\$ 2,877,961	\$ 2,248,523	\$ 1,577,390	\$ 35,247	\$ (1,194,991)	\$ 5,544,130	\$ (469,621)	\$ (73,165)	\$ 5,001,344
Liabilities									
Current liabilities									
Long-term debt, current portion	\$ 221,188	\$ 8,917	\$ 1,309	\$ 652	\$ —	\$ 232,066	\$ (949)	\$ —	\$ 231,117
Operating lease liabilities, current portion	1,784	28,645	12,708	200	(737)	42,600	(11,687)	—	30,913
Accrued salaries and employee benefits	76,885	182,438	110,076	559	—	369,958	(14,061)	—	355,897
Accounts payable and other accrued liabilities	151,430	248,086	691,929	3,833	(717,007)	378,271	(249,024)	—	129,247
Third-party payors payables	71,718	—	1,009	—	—	72,727	(19,253)	—	53,474
Total current liabilities	523,005	468,086	817,031	5,244	(717,744)	1,095,622	(294,974)	—	800,648
Noncurrent liabilities									
Long-term debt, less current portion	426,752	91,036	263,032	972	—	781,792	(21,381)	—	760,411
Operating lease liabilities, less current portion	11,315	70,950	42,354	4,553	(10,894)	118,278	(41,724)	—	76,554
Obligations under swap agreements	—	638	—	—	—	638	—	—	638
Other noncurrent liabilities	92,391	250,383	12,451	50	(1,948)	353,327	(697)	—	352,630
Total liabilities	1,053,463	881,093	1,134,868	10,819	(730,586)	2,349,657	(358,776)	—	1,990,881
Net assets									
Without donor restrictions									
Controlling interest	1,795,969	929,714	366,025	24,428	(454,189)	2,661,947	(110,797)	(63,781)	2,487,369
Noncontrolling interests in subsidiaries	19,600	—	—	—	(10,216)	9,384	—	(9,384)	—
Total net assets without donor restrictions	1,815,569	929,714	366,025	24,428	(464,405)	2,671,331	(110,797)	(73,165)	2,487,369
With donor restrictions	8,929	437,716	76,497	—	—	523,142	(48)	—	523,094
Total net assets	1,824,498	1,367,430	442,522	24,428	(464,405)	3,194,473	(110,845)	(73,165)	3,010,463
Total liabilities and net assets	\$ 2,877,961	\$ 2,248,523	\$ 1,577,390	\$ 35,247	\$ (1,194,991)	\$ 5,544,130	\$ (469,621)	\$ (73,165)	\$ 5,001,344

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

December 31, 2023									
	NCBH	WFUHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non-Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Assets									
Current assets									
Cash and cash equivalents	\$ 40,298	\$ 15,885	\$ 380,283	\$ 6,778	\$ —	\$ 443,244	\$ (44,370)	\$ —	\$ 398,874
Patient receivable	281,778	92,146	102,390	4,246	—	480,560	(27,157)	—	453,403
Other current assets	170,249	245,141	324,957	9,897	(435,641)	314,603	(41,381)	—	273,222
Total current assets	492,325	353,172	807,630	20,921	(435,641)	1,238,407	(112,908)	—	1,125,499
Assets limited as to use	993,450	1,018,170	100,545	144	—	2,112,309	(100,954)	—	2,011,355
Property and equipment, net	624,233	343,603	343,949	7,010	—	1,318,795	(95,495)	—	1,223,300
Operating lease right-of-use assets	16,545	115,738	120,607	1,272	(82,305)	171,857	(47,378)	—	124,479
Other noncurrent assets	353,192	324,436	131,307	—	(602,178)	206,757	(95,874)	(15,304)	95,579
Total assets	<u>\$ 2,479,745</u>	<u>\$ 2,155,119</u>	<u>\$ 1,504,038</u>	<u>\$ 29,347</u>	<u>\$ (1,120,124)</u>	<u>\$ 5,048,125</u>	<u>\$ (452,609)</u>	<u>\$ (15,304)</u>	<u>\$ 4,580,212</u>
Liabilities									
Current liabilities									
Long-term debt, current portion	\$ 20,713	\$ 11,085	\$ 20,539	\$ 864	\$ —	\$ 53,201	\$ (1,128)	\$ —	\$ 52,073
Operating lease liabilities, current portion	2,444	27,924	15,472	276	(4,610)	41,506	(10,536)	—	30,970
Accrued salaries and employee benefits	63,137	151,406	94,747	403	—	309,693	(13,702)	—	295,991
Accounts payable and other accrued liabilities	154,690	212,638	418,425	3,149	(451,348)	337,554	(205,314)	—	132,240
Third-party payors payables	104,197	246	1,147	—	—	105,590	(18,287)	—	87,303
Total current liabilities	345,181	403,299	550,330	4,692	(455,958)	847,544	(248,967)	—	598,577
Noncurrent liabilities									
Long-term debt, less current portion	447,975	101,646	264,381	1,624	—	815,626	(22,330)	—	793,296
Operating lease liabilities, less current portion	13,131	91,681	92,736	1,020	(61,167)	137,401	(38,771)	—	98,630
Obligations under swap agreements	—	1,058	—	—	—	1,058	—	—	1,058
Other noncurrent liabilities	103,076	248,333	15,377	50	(821)	366,015	(4,577)	—	361,438
Total liabilities	909,363	846,017	922,824	7,386	(517,946)	2,167,644	(314,645)	—	1,852,999
Net assets									
Without donor restrictions									
Controlling interest	1,539,220	936,647	496,148	21,961	(590,740)	2,403,236	(137,952)	(5,427)	2,259,857
Noncontrolling interests in subsidiaries	21,315	865	—	—	(11,438)	10,742	—	(9,877)	865
Total net assets without donor restrictions	1,560,535	937,512	496,148	21,961	(602,178)	2,413,978	(137,952)	(15,304)	2,260,722
With donor restrictions	9,847	371,590	85,066	—	—	466,503	(12)	—	466,491
Total net assets	1,570,382	1,309,102	581,214	21,961	(602,178)	2,880,481	(137,964)	(15,304)	2,727,213
Total liabilities and net assets	<u>\$ 2,479,745</u>	<u>\$ 2,155,119</u>	<u>\$ 1,504,038</u>	<u>\$ 29,347</u>	<u>\$ (1,120,124)</u>	<u>\$ 5,048,125</u>	<u>\$ (452,609)</u>	<u>\$ (15,304)</u>	<u>\$ 4,580,212</u>

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

Year Ended December 31, 2024									
	NCBH	WFUHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non-Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Revenue									
Patient service revenue	\$ 2,399,340	\$ 849,805	\$ 893,297	\$ 25,197	\$ —	\$ 4,167,639	\$ (293,502)	\$ —	\$ 3,874,137
Other revenue	681,410	939,345	39,365	526	(468,533)	1,192,113	(36,860)	439	1,155,692
Total revenue	3,080,750	1,789,150	932,662	25,723	(468,533)	5,359,752	(330,362)	439	5,029,829
Expenses									
Salaries, wages and benefits	1,164,301	1,276,231	483,864	8,171	136	2,932,703	(212,345)	—	2,720,358
Supplies and drugs	970,101	161,358	208,167	1,733	—	1,341,359	(64,182)	—	1,277,177
Purchased services and other	819,059	278,124	162,891	9,750	(468,669)	801,155	(74,695)	—	726,460
Depreciation and amortization	74,099	32,975	35,457	1,384	—	143,915	(17,373)	439	126,981
Interest	16,450	3,722	10,927	61	—	31,160	(914)	—	30,246
Total expenses	3,044,010	1,752,410	901,306	21,099	(468,533)	5,250,292	(369,509)	439	4,881,222
Operating income	36,740	36,740	31,356	4,624	—	109,460	39,147	—	148,607
Nonoperating income (loss)									
Investment income, net	86,181	22,641	22,057	170	—	131,049	(13,442)	—	117,607
Other nonoperating income (loss), net	(72,241)	(64,984)	(259)	(2,327)	137,773	(2,038)	2,402	(57,861)	(57,497)
Total nonoperating income, net	13,940	(42,343)	21,798	(2,157)	137,773	129,011	(11,040)	(57,861)	60,110
Revenue in excess of (less than) expenses	50,680	(5,603)	53,154	2,467	137,773	238,471	28,107	(57,861)	208,717
Less income attributable to noncontrolling interests	1,715	865	—	—	(1,222)	1,358	—	(493)	865
Revenue in excess of (less than) expenses - attributable to controlling interest	52,395	(4,738)	53,154	2,467	136,551	239,829	28,107	(58,354)	209,582

(Continued)

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

	Year Ended December 31, 2024								
	NCBH	WFOHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non- Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Net assets without donor restrictions, controlling interest									
Revenue in excess of expenses - attributable to controlling interest	52,395	(4,738)	53,154	2,467	136,551	239,829	28,107	(58,354)	209,582
Pension-related changes other than net periodic pension costs	20,125	(195)	952	—	—	20,882	(952)	—	19,930
Other, net	184,229	(2,000)	(184,229)	—	—	(2,000)	—	—	(2,000)
Increase (decrease) in net assets without donor restrictions, controlling interest	256,749	(6,933)	(130,123)	2,467	136,551	258,711	27,155	(58,354)	227,512
Net assets without donor restrictions, noncontrolling interests									
Revenue in excess of expenses - attributable to noncontrolling interests	(1,715)	(865)	—	—	1,222	(1,358)	—	493	(865)
(Decrease) increase in net assets without donor restrictions, noncontrolling interests	(1,715)	(865)	—	—	1,222	(1,358)	—	493	(865)
Net assets with donor restrictions									
Contributions	(994)	114,837	13,743	—	—	127,586	(181)	—	127,405
Investment income, net	198	14,258	—	—	—	14,456	—	—	14,456
Net assets released from restrictions	(474)	(89,419)	(2,305)	—	—	(92,198)	145	—	(92,053)
Other, net	352	26,450	(20,007)	—	—	6,795	—	—	6,795
(Decrease) increase in net assets with donor restrictions	(918)	66,126	(8,569)	—	—	56,639	(36)	—	56,603
Increase (decrease) in net assets	254,116	58,328	(138,692)	2,467	137,773	313,992	27,119	(57,861)	283,250
Net assets at beginning of period	1,570,382	1,309,102	581,214	21,961	(602,178)	2,880,481	(137,964)	(15,304)	2,727,213
Net assets at end of period	\$ 1,824,498	\$ 1,367,430	\$ 442,522	\$ 24,428	\$ (464,405)	\$ 3,194,473	\$ (110,845)	\$ (73,165)	\$ 3,010,463

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

Year Ended December 31, 2023									
	NCBH	WFUHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non-Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Revenue									
Patient service revenue	\$ 2,234,505	\$ 808,930	\$ 968,054	\$ 25,416	\$ —	\$ 4,036,905	\$ (281,524)	\$ —	\$ 3,755,381
Other revenue	558,306	866,434	39,820	492	(453,463)	1,011,589	(55,522)	667	956,734
Total revenue	2,792,811	1,675,364	1,007,874	25,908	(453,463)	5,048,494	(337,046)	667	4,712,115
Expenses									
Salaries, wages and benefits	1,120,313	1,161,156	520,717	6,893	3,904	2,812,983	(206,643)	—	2,606,340
Supplies and drugs	849,706	132,367	198,260	1,558	—	1,181,891	(52,459)	—	1,129,432
Purchased services and other	687,655	305,266	172,163	8,891	(457,367)	716,608	(83,882)	—	632,726
Depreciation and amortization	81,698	34,636	37,692	1,724	—	155,750	(16,770)	667	139,647
Interest	16,947	5,447	11,072	94	—	33,560	(954)	—	32,606
Total expenses	2,756,319	1,638,872	939,904	19,160	(453,463)	4,900,792	(360,708)	667	4,540,751
Operating income	36,492	36,492	67,970	6,748	—	147,702	23,662	—	171,364
Nonoperating income (loss)									
Investment income, net	87,128	10,845	7,869	137	—	105,979	(3,610)	—	102,369
Other nonoperating income (loss), net	19,745	48,134	993	(2,729)	(81,116)	(14,973)	2,574	(34,525)	(46,924)
Total nonoperating income, net	106,873	58,979	8,862	(2,592)	(81,116)	91,006	(1,036)	(34,525)	55,445
Revenue in excess of (less than) expenses	143,365	95,471	76,832	4,156	(81,116)	238,708	22,626	(34,525)	226,809
Less income attributable to noncontrolling interests	467	109	—	—	(891)	(315)	—	424	109
Revenue in excess of (less than) expenses - attributable to controlling interest	143,832	95,580	76,832	4,156	(82,007)	238,393	22,626	(34,101)	226,918

(Continued)

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

	Year Ended December 31, 2023								
	NCBH	WFUHS	WFUBMC	Other Affs	Eliminations	Atrium Health Wake Forest Baptist Combined	Atrium Health Wake Forest Baptist Non-Combined Group	Eliminations	Atrium Health Wake Forest Baptist Combined Group
Net assets without donor restrictions, controlling interest									
Revenue in excess of expenses - attributable to controlling interest	143,832	95,580	76,832	4,156	(82,007)	239,829	22,626	(34,101)	228,354
Pension-related changes other than net periodic pension costs	7,611	(602)	513	—	—	7,522	(513)	—	7,009
Other, net	—	(2,000)	—	—	—	(2,000)	—	—	(2,000)
Increase (decrease) in net assets without donor restrictions, controlling interest	151,443	92,978	77,345	4,156	(82,007)	245,351	22,113	(34,101)	233,363
Net assets without donor restrictions, noncontrolling interests									
Revenue in excess of expenses - attributable to noncontrolling interests	(467)	(109)	—	—	891	315	—	(424)	(109)
(Decrease) increase in net assets without donor restrictions, noncontrolling interests	(467)	(109)	—	—	891	315	—	(424)	(109)
Net assets with donor restrictions									
Contributions	(462)	121,668	2,690	—	—	123,896	(12)	—	123,884
Investment income, net	121	5,826	—	—	—	5,947	—	—	5,947
Net assets released from restrictions	(391)	(61,535)	(1,873)	—	—	(63,799)	(6)	—	(63,805)
Other, net	322	8,623	35	—	—	8,980	—	—	8,980
(Decrease) increase in net assets with donor restrictions	(410)	74,582	852	—	—	75,024	(18)	—	75,006
Increase (decrease) in net assets	150,566	167,451	78,197	4,156	(81,116)	320,690	22,095	(34,525)	308,260
Net assets at beginning of period	1,419,816	1,141,651	503,017	17,805	(521,062)	2,561,227	(160,059)	19,221	2,420,389
Net assets at end of period	\$ 1,570,382	\$ 1,309,102	\$ 581,214	\$ 21,961	\$ (602,178)	\$ 2,881,917	\$ (137,964)	\$ (15,304)	\$ 2,728,649