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Form 990



Department of the Treasury
Internal Revenue Service

Return of Organization Exempt From Income Tax

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter Social Security numbers on this form as it may be made public

By law, the IRS generally cannot redact the information on the form

Information about Form 990 and its instructions is at www.irs.gov/form990

OMB No 1545-0047

2013

Open to Public Inspection

A For the 2013 calendar year, or tax year beginning 10-01-2013, 2013, and ending 09-30-2014

B Check if applicable

☐ Address change

☐ Name change

☐ Initial return

☐ Terminated

☐ Amended return

☐ Application pending

C Name of organization

WakeMed

Doing Business As see Schedule O

Number and street (or P O box if mail is not delivered to street address)

Room/suite

3000 NEW BERN AVE Suite

City or town, state or province, country, and ZIP or foreign postal code

RALEIGH, NC 276101215

D Employer identification number

56-6017737

E Telephone number

(919) 350-0522

G Gross receipts \$ 1,269,443,098

F Name and address of principal officer

Donald Gintzig

3000 New Bern Avenue

Raleigh, NC 27610

H(a) Is this a group return for subordinates?

☐ Yes ☒ No

H(b) Are all subordinates included?

☐ Yes ☐ No

If "No," attach a list (see instructions)

H(c) Group exemption number

I Tax-exempt status

☒ 501(c)(3) ☐ 501(c) () ☐ (insert no) ☐ 4947(a)(1) or ☐ 527

J Website: WWW WAKEMED ORG

K Form of organization

☒ Corporation ☐ Trust ☐ Association ☐ Other

L Year of formation 1965

M State of legal domicile NC

Part I Summary																																																																																
Activities & Governance	<div><div>1</div><div>Briefly describe the organization's mission or most significant activities</div><div>WAKEMED IS A MULTI-FACILITY HEALTHCARE SYSTEM PROVIDING STATE OF THE ART HIGH QUALITY CARE</div><div></div><div></div><div></div></div>																																																																															
	<div><div>2</div><div>Check this box <input type="checkbox"/> if the organization discontinued its operations or disposed of more than 25% of its net assets</div></div>																																																																															
	<table><tr><td>3</td><td>Number of voting members of the governing body (Part VI, line 1a)</td><td>3</td><td>14</td></tr><tr><td>4</td><td>Number of independent voting members of the governing body (Part VI, line 1b)</td><td>4</td><td>14</td></tr><tr><td>5</td><td>Total number of individuals employed in calendar year 2013 (Part V, line 2a)</td><td>5</td><td>9,477</td></tr><tr><td>6</td><td>Total number of volunteers (estimate if necessary)</td><td>6</td><td>1,383</td></tr><tr><td>7a</td><td>Total unrelated business revenue from Part VIII, column (C), line 12</td><td>7a</td><td>5,021,399</td></tr><tr><td>b</td><td>Net unrelated business taxable income from Form 990-T, line 34</td><td>7b</td><td></td></tr></table>	3	Number of voting members of the governing body (Part VI, line 1a)	3	14	4	Number of independent voting members of the governing body (Part VI, line 1b)	4	14	5	Total number of individuals employed in calendar year 2013 (Part V, line 2a)	5	9,477	6	Total number of volunteers (estimate if necessary)	6	1,383	7a	Total unrelated business revenue from Part VIII, column (C), line 12	7a	5,021,399	b	Net unrelated business taxable income from Form 990-T, line 34	7b																																																								
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<table><tr><th rowspan="6">Revenue</th><th rowspan="6"></th><th colspan="2">Prior Year</th><th colspan="2">Current Year</th></tr><tr><td>8</td><td>Contributions and grants (Part VIII, line 1h)</td><td>5,172,355</td><td>4,731,146</td></tr><tr><td>9</td><td>Program service revenue (Part VIII, line 2g)</td><td>967,167,959</td><td>1,004,043,448</td></tr><tr><td>10</td><td>Investment income (Part VIII, column (A), lines 3, 4, and 7d)</td><td>14,853,866</td><td>8,320,038</td></tr><tr><td>11</td><td>Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)</td><td>5,954,432</td><td>7,290,054</td></tr><tr><td>12</td><td>Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)</td><td>993,148,612</td><td>1,024,384,686</td></tr><tr><td rowspan="8">Expenses</td><td>13</td><td>Grants and similar amounts paid (Part IX, column (A), lines 1–3)</td><td>1,657,008</td><td>1,898,108</td></tr><tr><td>14</td><td>Benefits paid to or for members (Part IX, column (A), line 4)</td><td>0</td><td>0</td></tr><tr><td>15</td><td>Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)</td><td>583,908,859</td><td>579,567,162</td></tr><tr><td>16a</td><td>Professional fundraising fees (Part IX, column (A), line 11e)</td><td>0</td><td>0</td></tr><tr><td>b</td><td>Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0</td><td></td><td></td></tr><tr><td>17</td><td>Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)</td><td>448,755,303</td><td>452,702,426</td></tr><tr><td>18</td><td>Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)</td><td>1,034,321,170</td><td>1,034,167,696</td></tr><tr><td>19</td><td>Revenue less expenses Subtract line 18 from line 12</td><td>-41,172,558</td><td>-9,783,010</td></tr><tr><td rowspan="4">Net Assets or Fund Balances</td><td colspan="2"></td><th>Beginning of Current Year</th><th colspan="2">End of Year</th></tr><tr><td>20</td><td>Total assets (Part X, line 16)</td><td>1,401,033,136</td><td colspan="2">1,423,447,229</td></tr><tr><td>21</td><td>Total liabilities (Part X, line 26)</td><td>636,733,084</td><td colspan="2">632,851,201</td></tr><tr><td>22</td><td>Net assets or fund balances Subtract line 21 from line 20</td><td>764,300,052</td><td colspan="2">790,596,028</td></tr></table>	Revenue		Prior Year		Current Year		8	Contributions and grants (Part VIII, line 1h)	5,172,355	4,731,146	9	Program service revenue (Part VIII, line 2g)	967,167,959	1,004,043,448	10	Investment income (Part VIII, column (A), lines 3, 4, and 7d)	14,853,866	8,320,038	11	Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)	5,954,432	7,290,054	12	Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)	993,148,612	1,024,384,686	Expenses	13	Grants and similar amounts paid (Part IX, column (A), lines 1–3)	1,657,008	1,898,108	14	Benefits paid to or for members (Part IX, column (A), line 4)	0	0	15	Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)	583,908,859	579,567,162	16a	Professional fundraising fees (Part IX, column (A), line 11e)	0	0	b	Total fundraising expenses (Part IX, column (D), line 25) <input type="checkbox"/> 0			17	Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)	448,755,303	452,702,426	18	Total expenses Add lines 13–17 (must equal Part IX, column (A), line 25)	1,034,321,170	1,034,167,696	19	Revenue less expenses Subtract line 18 from line 12	-41,172,558	-9,783,010	Net Assets or Fund Balances			Beginning of Current Year	End of Year		20	Total assets (Part X, line 16)	1,401,033,136	1,423,447,229		21	Total liabilities (Part X, line 26)	636,733,084	632,851,201		22	Net assets or fund balances Subtract line 21 from line 20	764,300,052	790,596,028	
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Part II

Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge

Sign Here

Signature of officer

Michael DeVaughn CFO

Date

2015-07-21

Type or print name and title

Paid Preparer Use Only

Print/Type preparer's name

WILLIAM RIKER

Firm's name

ERNST & YOUNG US LLP

Firm's address

55 IVAN ALLEN JR BLVD SUITE 1000

ATLANTA, GA 30308

Preparer's signature

Date

Check ☐ if self-employed

PTIN

P01226021

Firm's EIN

Phone no

May the IRS discuss this return with the preparer shown above? (see instructions)

☐ Yes ☐ No

For Paperwork Reduction Act Notice, see the separate instructions.

Cat No 11282Y

Form 990 (2013)

Part III

Statement of Program Service Accomplishments

Check if Schedule O contains a response or note to any line in this Part III

☐ Yes ☒ No

1

Briefly describe the organization's mission

WAKEMED PROVIDES OUTSTANDING AND COMPASSIONATE CARE TO ALL WHO SEEK OUR SERVICES WAKEMED IS COMMITTED TO THE HEALTH AND WELLNESS OF THE COMMUNITIES IT SERVES BY PROVIDING PREVENTIVE, DIAGNOSTIC, IN/OUTPATIENT, REHABILITATIVE CARE TO ALL REGARDLESS OF THE ABILITY TO PAY

2

Did the organization undertake any significant program services during the year which were not listed on the prior Form 990 or 990-EZ?

☐ Yes ☒ No

If "Yes," describe these new services on Schedule O

3

Did the organization cease conducting, or make significant changes in how it conducts, any program services?

☐ Yes ☒ No

If "Yes," describe these changes on Schedule O

4

Describe the organization's program service accomplishments for each of its three largest program services, as measured by expenses Section 501(c)(3) and 501(c)(4) organizations are required to report the amount of grants and allocations to others, the total expenses, and revenue, if any, for each program service reported

4a

(Code) (Expenses \$ 221,575,447 including grants of \$ 0) (Revenue \$ 226,436,965)

SURGICAL SERVICES - WAKEMED PROVIDES SURGICAL SERVICES IN FOUR LOCATIONS THROUGHOUT THE COUNTY WAKEMED RALEIGH CAMPUS, WAKEMED CARY HOSPITAL, WAKEMED NORTH HEALTHPLEX AND CAPITAL CITY SURGERY CENTER, OF WHICH WAKEMED IS A MAJORITY INVESTOR BY DELIVERING SURGICAL SERVICES TO ALL WHO SEEK CARE REGARDLESS OF THEIR ABILITY TO PAY AND BY HAVING IN- AND OUTPATIENT SERVICES IN THREE DISTINCT LOCATIONS THROUGHOUT THE COUNTY, WAKEMED HAS IMPROVED ACCESS TO THESE NEEDED SERVICES WAKEMED'S WIDE RANGE OF SURGICAL SPECIALTIES INCLUDE BARIATRIC, CARDIOVASCULAR AND THORACIC, ENT, HEAD AND NECK, ADULT AND PEDIATRIC GASTROINTESTINAL, GENERAL, NEUROSURGERY, OBSTETRICS AND GYNECOLOGY, ORTHOPEDICS, PEDIATRIC, UROLOGY, AND VASCULAR AS WAKE COUNTY'S ONLY STATE DESIGNATED LEVEL 1 TRAUMA, WAKEMED PROVIDES COMPREHENSIVE TRAUMA SURGERY FOR GENERAL, ORTHOPEDIC, NEUROSURGERY, AND VASCULAR TRAUMA PATIENTS BECAUSE ACCESS TO SPECIALTY CARE CONTINUES TO BE A KEY HEALTH CONCERNS FACING OUR COMMUNITY, WAKEMED HAS EXPANDED ITS NETWORK OF SPECIALISTS THROUGH WAKEMED FACULTY PHYSICIANS, ONE OF THE KEY GROUPS OF PHYSICIANS WHO PROVIDE SUBSPECIALTY CARE TO THE UNINSURED AND UNDERINSURED IN OUR COMMUNITY OUR STAFF WORKS WITH THE PATIENT TO DISCOUNT THEIR FEES BASED ON INDIVIDUAL INCOME AND NEED MANY PHYSICIANS ON THE MEDICAL STAFF CONTINUE THIS PRACTICE OF PROVIDING QUALITY CARE TO PATIENTS REGARDLESS OF THEIR ABILITY TO PAY LAST YEAR, OUR SURGICAL PATIENTS INCLUDED 35 7% WHO WERE INSURED UNDER MEDICARE, 13 8% WHO WERE INSURED UNDER MEDICAID AND 6 9% WHO WERE UNINSURED (OR "SELF-PAY OR CHARITY CARE")

4b

(Code) (Expenses \$ 178,820,034 including grants of \$ 0) (Revenue \$ 198,988,290)

HEART CENTER - WAKEMED'S HEART AND VASCULAR PROGRAM IS THE LARGEST AND ONE OF THE MOST RECOGNIZED CARDIOVASCULAR PROGRAMS IN THE STATE OF NORTH CAROLINA LAST YEAR, MORE THAN 17,000 CARDIOVASCULAR PROCEDURES WERE PERFORMED INCLUDING SURGERY, DIAGNOSTIC AND INTERVENTIONAL CARDIAC CATHETERIZATIONS AND ELECTROPHYSIOLOGY STUDIES THOUSANDS MORE PATIENTS WERE TREATED MEDICALLY AS IN- AND OUTPATIENTS THROUGHOUT THE SYSTEM WAKEMED HEALTH & HOSPITALS HAS CONSISTENTLY BEEN NATIONALLY RECOGNIZED FOR EXCELLENCE IN BOTH STROKE AND HEART CARE, AND IN 2014, WE AGAIN RECEIVED SEVERAL HONORS WAKEMED RALEIGH CAMPUS AND WAKEMED CARY HOSPITAL BOTH AGAIN EARNED THE PLATINUM PERFORMANCE ACHIEVEMENT AWARD FROM THE ACTION REGISTRY OF THE AMERICAN COLLEGE OF CARDIOLOGY'S NATIONAL CARDIOVASCULAR DATA REGISTRY FOR OUR CARDIOVASCULAR SERVICES ONLY 32 OF 126 NORTH CAROLINA'S HOSPITALS EARNED THIS DISTINCTION THIS PAST YEAR ADDITIONALLY, BOTH HOSPITALS RECEIVED RECOGNITION FROM THE AMERICAN HEART ASSOCIATION AND THE AMERICAN STROKE ASSOCIATION THROUGH THEIR GET WITH THE GUIDELINES (GWTG) AWARDS, EACH EARNING GOLD PLUS ACHIEVEMENT AWARDS FOR BOTH STROKE CARE AND FOR HEART FAILURE CARE THESE RECOGNITIONS SIGNIFY THAT WAKEMED HAS REACHED AN AGGRESSIVE GOAL OF TREATING BOTH STROKE AND HEART FAILURE PATIENTS ACCORDING TO THE GUIDELINES OF CARE RECOMMENDED BY THE AMERICAN STROKE ASSOCIATION, AMERICAN HEART ASSOCIATION, AND AMERICAN COLLEGE OF CARDIOLOGY BOTH WAKEMED CARY HOSPITAL AND WAKEMED RALEIGH CAMPUS RECEIVED ACCREDITATION BY THE SOCIETY OF CARDIOVASCULAR PATIENT CARE, AND BOTH RECEIVED THE JOINT COMMISSION ADVANCED CERTIFICATION FOR PRIMARY STROKE CENTERS, AND WAKEMED CARY HOSPITAL RECEIVED THE SILVER LEVEL AWARD AS A REFERRING HOSPITAL FROM THE AMERICAN HEART ASSOCIATION'S MISSION LIFELINE WAKEMED HEALTH & HOSPITALS WAS RECOGNIZED IN U S NEWS & WORLD REPORT AS HIGH PERFORMING HOSPITALS IN CARDIOLOGY AND HEART SURGERY IN THEIR 2014 BEST HOSPITALS ISSUE WAKEMED HEALTH & HOSPITALS WAS ALSO DESIGNATED A BLUE DISTINCTION CENTER+ FOR CARDIAC CARE BY BLUECROSS BLUESHIELD OF NC AND FINALLY IN 2014, WAKEMED HEALTH & HOSPITALS WAS ONE OF 35 HOSPITALS IN THE NATION SELECTED TO PARTICIPATE IN THE AMERICAN COLLEGE OF CARDIOLOGY'S PATIENT NAVIGATOR PROGRAM A KEY SUPPORT SERVICE FOR OUR COMMUNITY, WAKEMED MOBILE CRITICAL CARE SERVICES PROVIDES COMPREHENSIVE PATIENT TRANSPORTS BY GROUND AND AIR AMBULANCE HELPING PATIENTS WHO NEED IMMEDIATE INTERVENTION OR ACUTE CARE SERVICES SERVING THE REGION AND ALL OF NORTH CAROLINA, GROUND MOBILE IS THE BUSIEST INTER-FACILITY GROUND TRANSPORT SERVICE IN THE STATE IN 2014, GROUND MOBILE TRANSPORTED OVER 18,000 CRITICALLY ILL PATIENTS AND AIR MOBILE COMPLETED 529 FLIGHTS HEART DISEASE - WITH 933 DEATHS - REMAINS THE SECOND LEADING CAUSE OF DEATH IN WAKE COUNTY, AND THE COUNTY'S 2013 COMMUNITY HEALTH NEEDS ASSESSMENT IDENTIFIED MANAGEMENT OF CHRONIC DISEASES RELATED TO CARDIOVASCULAR PROBLEMS OF PARAMOUNT IMPORTANCE TO WAKE COUNTY RESIDENTS' OVERALL HEALTH WAKEMED'S HEART CENTER HAS MADE SIGNIFICANT STRIDES IN PROGRAMS AND SERVICES AIMING TO REDUCE HEART DISEASE AND DIABETES, IMPROVE STROKE OUTCOMES AND IMPROVE PATIENTS' UNDERSTANDING OF DISEASE MANAGEMENT WE KNOW THAT TEACHING PATIENTS ABOUT THEIR RISK FACTORS FOR HEART DISEASE AND ENCOURAGING HEALTHY BEHAVIORS THROUGH LIFESTYLE CHANGES BUILDS A FOUNDATION FOR A HEALTHIER POPULATION THUS, THE WAKEMED HEART CENTER PROVIDES A COMPREHENSIVE CONTINUUM OF CARE FOR THE CARDIAC PATIENT FROM OUTREACH EDUCATION AND PREVENTION TO DIAGNOSIS, INTERVENTION, SURGERY, CARDIAC REHABILITATION AND ON-GOING DISEASE MANAGEMENT FOR HEART FAILURE AND DIABETES FREE EDUCATION PROGRAMS ARE OFFERED REGULARLY FOR OUR PATIENTS, THEIR FAMILY MEMBERS AND THE COMMUNITY TO COMPLEMENT OUR COMPREHENSIVE CARE SERVICES AND BECAUSE THE FASTEST INTERVENTION PROVIDES THE BEST OUTCOMES, ALL OF WAKEMED'S EMERGENCY DEPARTMENTS ARE CERTIFIED CHEST PAIN CENTERS AND WAKEMED RALEIGH CAMPUS AND CARY HOSPITAL ARE DESIGNATED PRIMARY STROKE CENTERS ADDITIONALLY, WAKEMED'S HEART CENTER PROVIDES FREE HEALTH SCREENINGS THROUGHOUT THE YEAR INCLUDING CHOLESTEROL SCREENINGS, BLOOD PRESSURE CHECKS, VASCULAR SCREENINGS AND STROKE ASSESSMENTS THROUGHOUT THE COMMUNITY THESE SCREENINGS ARE DESIGNED TO BE A SECONDARY PREVENTION ACTIVITY TO DETECT EARLY ONSET OF DISEASE OR ILLNESS WAKEMED CONDUCTS TRAINING FOR THE PROGRAM CPR ANYTIME AT MULTIPLE LOCATIONS IN WAKE COUNTY, AND PROVIDES CPR ANYTIME KITS THROUGHOUT THE COMMUNITY AT MORE THAN A 70 PERCENT DISCOUNTED COST LAST FISCAL YEAR, 58 6% OF HEALTH CENTER PATIENTS WERE INSURED UNDER MEDICARE, 6 8% WERE INSURED UNDER MEDICAID, AND 6 0% OF THESE PATIENTS WERE UNINSURED

4c

(Code) (Expenses \$ 104,788,418 including grants of \$ 0) (Revenue \$ 138,299,395)

EMERGENCY - A CRITICAL ISSUE FACING WAKE COUNTY RESIDENTS CONTINUES TO BE ACCESS TO AFFORDABLE HEALTH CARE TO ADDRESS THIS CHALLENGE, WAKEMED HAS STRATEGICALLY PLACED SIX FULL SERVICE, STAND-ALONE EMERGENCY DEPARTMENTS IN KEY GEOGRAPHIC AREAS THROUGHOUT THE COUNTY IN RALEIGH, CARY, NORTH RALEIGH, APEX, BRIER CREEK, AND GARNER LOCATED IN RALEIGH, WAKEMED ALSO OPERATES THE ONLY CHILDREN'S EMERGENCY DEPARTMENT IN THE COUNTY AND BECAUSE PHYSICIAN AVAILABILITY IS KEY TO OPENING UP ACCESS TO CARE, WAKEMED'S PHYSICIAN PRACTICES, HEALTHPLEXES, AND OUTPATIENT SERVICES ARE CONVENIENTLY POSITIONED THROUGHOUT THE AREA WAKEMED IS AMONG THE TOP THREE VOLUME PROVIDERS OF EMERGENCY CARE IN NORTH CAROLINA WAKEMED'S RALEIGH CAMPUS IS ALSO HOME TO WAKE COUNTY'S ONLY LEVEL I TRAUMA CENTER, THE HIGHEST DESIGNATION AWARDED TO TRAUMA CENTERS IN NORTH CAROLINA OUR TRAUMA SERVICE INCLUDES A COMPREHENSIVE RESEARCH PROGRAM, INJURY PREVENTION PROGRAMS, FELLOWSHIP TRAINED TRAUMA SURGEONS ON-SITE 24/7, A MULTI-DISCIPLINARY TEAM OF PROFESSIONALS, THE CLINICAL SUPPORT OF SIX ADULT INTENSIVE CARE UNITS AND A PEDIATRIC INTENSIVE CARE UNIT, AS WELL AS A COMPREHENSIVE ACUTE, INPATIENT AND OUTPATIENT PHYSICAL REHABILITATION PROGRAM WAKEMED'S EMERGENCY AND TRAUMA SERVICES TREAT ALL PATIENTS SEEKING MEDICAL CARE, REGARDLESS OF THEIR ABILITY TO PAY IN FY 2014, 19 3% OF OUR EMERGENCY PATIENTS WERE INSURED UNDER MEDICARE, 21 3% WERE INSURED UNDER MEDICAID, AND 20 5% WERE UNINSURED OR SELF-PAY/CHARITY CARE OVER 41 8% OF ALL PATIENTS SEEN IN OUR EDS ARE EITHER MEDICAID OR UNINSURED RESULTING IN WAKEMED PROVIDING CARE FOR MORE THAN 80 PERCENT OF THE COUNTY'S UNINSURED AND MEDICAID PATIENTS ALL OF THE STAND-ALONE LOCATIONS SERVE AREAS WHICH ARE OTHERWISE UNDERSERVED BY DEDICATED MEDICAL SERVICES

4d

Other program services (Describe in Schedule O)

(Expenses \$ 424,365,878 including grants of \$ 1,898,108) (Revenue \$ 446,850,551)
























4e

Total program service expenses

929,549,777

Part IV

Checklist of Required Schedules

	Yes	No
1 Is the organization described in section 501(c)(3) or 4947(a)(1) (other than a private foundation)? If "Yes," complete Schedule A 	1 Yes	
2 Is the organization required to complete Schedule B, Schedule of Contributors (see instructions)? 	2 Yes	
3 Did the organization engage in direct or indirect political campaign activities on behalf of or in opposition to candidates for public office? If "Yes," complete Schedule C, Part I 	3	No
4 Section 501(c)(3) organizations. Did the organization engage in lobbying activities, or have a section 501(h) election in effect during the tax year? If "Yes," complete Schedule C, Part II 	4 Yes	
5 Is the organization a section 501(c)(4), 501(c)(5), or 501(c)(6) organization that receives membership dues, assessments, or similar amounts as defined in Revenue Procedure 98-19? If "Yes," complete Schedule C, Part III 	5	No
6 Did the organization maintain any donor advised funds or any similar funds or accounts for which donors have the right to provide advice on the distribution or investment of amounts in such funds or accounts? If "Yes," complete Schedule D, Part I 	6	No
7 Did the organization receive or hold a conservation easement, including easements to preserve open space, the environment, historic land areas, or historic structures? If "Yes," complete Schedule D, Part II 	7	No
8 Did the organization maintain collections of works of art, historical treasures, or other similar assets? If "Yes," complete Schedule D, Part III 	8	No
9 Did the organization report an amount in Part X, line 21 for escrow or custodial account liability, serve as a custodian for amounts not listed in Part X, or provide credit counseling, debt management, credit repair, or debt negotiation services? If "Yes," complete Schedule D, Part IV 	9	No
10 Did the organization, directly or through a related organization, hold assets in temporarily restricted endowments, permanent endowments, or quasi-endowments? If "Yes," complete Schedule D, Part V 	10 Yes	
11 If the organization's answer to any of the following questions is "Yes," then complete Schedule D, Parts VI, VII, VIII, IX, or X as applicable		
a Did the organization report an amount for land, buildings, and equipment in Part X, line 10? If "Yes," complete Schedule D, Part VI 	11a Yes	
b Did the organization report an amount for investments—other securities in Part X, line 12 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VII 	11b	No
c Did the organization report an amount for investments—program related in Part X, line 13 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part VIII 	11c	No
d Did the organization report an amount for other assets in Part X, line 15 that is 5% or more of its total assets reported in Part X, line 16? If "Yes," complete Schedule D, Part IX 	11d Yes	
e Did the organization report an amount for other liabilities in Part X, line 25? If "Yes," complete Schedule D, Part X 	11e Yes	
f Did the organization's separate or consolidated financial statements for the tax year include a footnote that addresses the organization's liability for uncertain tax positions under FIN 48 (ASC 740)? If "Yes," complete Schedule D, Part X 	11f	No
12a Did the organization obtain separate, independent audited financial statements for the tax year? If "Yes," complete Schedule D, Parts XI and XII 	12a	No
b Was the organization included in consolidated, independent audited financial statements for the tax year? If "Yes," and if the organization answered "No" to line 12a, then completing Schedule D, Parts XI and XII is optional 	12b Yes	
13 Is the organization a school described in section 170(b)(1)(A)(ii)? If "Yes," complete Schedule E	13	No
14a Did the organization maintain an office, employees, or agents outside of the United States?	14a	No
b Did the organization have aggregate revenues or expenses of more than \$10,000 from grantmaking, fundraising, business, investment, and program service activities outside the United States, or aggregate foreign investments valued at \$100,000 or more? If "Yes," complete Schedule F, Parts I and IV 	14b Yes	
15 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of grants or other assistance to or for any foreign organization? If "Yes," complete Schedule F, Parts II and IV 	15	No
16 Did the organization report on Part IX, column (A), line 3, more than \$5,000 of aggregate grants or other assistance to or for foreign individuals? If "Yes," complete Schedule F, Parts III and IV 	16	No
17 Did the organization report a total of more than \$15,000 of expenses for professional fundraising services on Part IX, column (A), lines 6 and 11e? If "Yes," complete Schedule G, Part I (see instructions)	17	No
18 Did the organization report more than \$15,000 total of fundraising event gross income and contributions on Part VIII, lines 1c and 8a? If "Yes," complete Schedule G, Part II	18	No
19 Did the organization report more than \$15,000 of gross income from gaming activities on Part VIII, line 9a? If "Yes," complete Schedule G, Part III	19	No
20a Did the organization operate one or more hospital facilities? If "Yes," complete Schedule H 	20a Yes	
b If "Yes" to line 20a, did the organization attach a copy of its audited financial statements to this return? 	20b Yes	

Part IV

Checklist of Required Schedules (continued)

21	Did the organization report more than \$5,000 of grants or other assistance to any domestic organization or government on Part IX, column (A), line 1? <i>If "Yes," complete Schedule I, Parts I and II</i>	21	Yes	
22	Did the organization report more than \$5,000 of grants or other assistance to individuals in the United States on Part IX, column (A), line 2? <i>If "Yes," complete Schedule I, Parts I and III</i>	22	Yes	
23	Did the organization answer "Yes" to Part VII, Section A, line 3, 4, or 5 about compensation of the organization's current and former officers, directors, trustees, key employees, and highest compensated employees? <i>If "Yes," complete Schedule J</i>	23	Yes	
24a	Did the organization have a tax-exempt bond issue with an outstanding principal amount of more than \$100,000 as of the last day of the year, that was issued after December 31, 2002? <i>If "Yes," answer lines 24b through 24d and complete Schedule K. If "No," go to line 25a</i>	24a	Yes	
b	Did the organization invest any proceeds of tax-exempt bonds beyond a temporary period exception?	24b		No
c	Did the organization maintain an escrow account other than a refunding escrow at any time during the year to defease any tax-exempt bonds?	24c		No
d	Did the organization act as an "on behalf of" issuer for bonds outstanding at any time during the year?	24d		No
25a	Section 501(c)(3) and 501(c)(4) organizations. Did the organization engage in an excess benefit transaction with a disqualified person during the year? <i>If "Yes," complete Schedule L, Part I</i>	25a		No
b	Is the organization aware that it engaged in an excess benefit transaction with a disqualified person in a prior year, and that the transaction has not been reported on any of the organization's prior Forms 990 or 990-EZ? <i>If "Yes," complete Schedule L, Part I</i>	25b		No
26	Did the organization report any amount on Part X, line 5, 6, or 22 for receivables from or payables to any current or former officers, directors, trustees, key employees, highest compensated employees, or disqualified persons? <i>If so, complete Schedule L, Part II</i>	26		No
27	Did the organization provide a grant or other assistance to an officer, director, trustee, key employee, substantial contributor or employee thereof, a grant selection committee member, or to a 35% controlled entity or family member of any of these persons? <i>If "Yes," complete Schedule L, Part III</i>	27		No
28	Was the organization a party to a business transaction with one of the following parties (see Schedule L, Part IV instructions for applicable filing thresholds, conditions, and exceptions)			
a	A current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28a		No
b	A family member of a current or former officer, director, trustee, or key employee? <i>If "Yes," complete Schedule L, Part IV</i>	28b		No
c	An entity of which a current or former officer, director, trustee, or key employee (or a family member thereof) was an officer, director, trustee, or direct or indirect owner? <i>If "Yes," complete Schedule L, Part IV</i>	28c		No
29	Did the organization receive more than \$25,000 in non-cash contributions? <i>If "Yes," complete Schedule M</i>	29		No
30	Did the organization receive contributions of art, historical treasures, or other similar assets, or qualified conservation contributions? <i>If "Yes," complete Schedule M</i>	30		No
31	Did the organization liquidate, terminate, or dissolve and cease operations? <i>If "Yes," complete Schedule N, Part I</i>	31		No
32	Did the organization sell, exchange, dispose of, or transfer more than 25% of its net assets? <i>If "Yes," complete Schedule N, Part II</i>	32		No
33	Did the organization own 100% of an entity disregarded as separate from the organization under Regulations sections 301.7701-2 and 301.7701-3? <i>If "Yes," complete Schedule R, Part I</i>	33	Yes	
34	Was the organization related to any tax-exempt or taxable entity? <i>If "Yes," complete Schedule R, Part II, III, or IV, and Part V, line 1</i>	34	Yes	
35a	Did the organization have a controlled entity within the meaning of section 512(b)(13)?	35a	Yes	
b	If 'Yes' to line 35a, did the organization receive any payment from or engage in any transaction with a controlled entity within the meaning of section 512(b)(13)? <i>If "Yes," complete Schedule R, Part V, line 2</i>	35b	Yes	
36	Section 501(c)(3) organizations. Did the organization make any transfers to an exempt non-charitable related organization? <i>If "Yes," complete Schedule R, Part V, line 2</i>	36		No
37	Did the organization conduct more than 5% of its activities through an entity that is not a related organization and that is treated as a partnership for federal income tax purposes? <i>If "Yes," complete Schedule R, Part VI</i>	37		No
38	Did the organization complete Schedule O and provide explanations in Schedule O for Part VI, lines 11b and 19? Note. All Form 990 filers are required to complete Schedule O	38	Yes	

Part V

Statements Regarding Other IRS Filings and Tax Compliance

Check if Schedule O contains a response or note to any line in this Part V

		Yes	No
1a	Enter the number reported in Box 3 of Form 1096 Enter -0- if not applicable	1a	584
b	Enter the number of Forms W-2G included in line 1a Enter -0- if not applicable	1b	0
c	Did the organization comply with backup withholding rules for reportable payments to vendors and reportable gaming (gambling) winnings to prize winners?	1c	Yes
2a	Enter the number of employees reported on Form W-3, Transmittal of Wage and Tax Statements, filed for the calendar year ending with or within the year covered by this return	2a	9,477
b	If at least one is reported on line 2a, did the organization file all required federal employment tax returns? Note. If the sum of lines 1a and 2a is greater than 250, you may be required to e-file (see instructions)	2b	Yes
3a	Did the organization have unrelated business gross income of \$1,000 or more during the year?	3a	Yes
b	If "Yes," has it filed a Form 990-T for this year? If "No" to line 3b, provide an explanation in Schedule O	3b	Yes
4a	At any time during the calendar year, did the organization have an interest in, or a signature or other authority over, a financial account in a foreign country (such as a bank account, securities account, or other financial account)?	4a	Yes
b	If "Yes," enter the name of the foreign country See instructions for filing requirements for Form TD F 90-22.1, Report of Foreign Bank and Financial Accounts		
5a	Was the organization a party to a prohibited tax shelter transaction at any time during the tax year?	5a	No
b	Did any taxable party notify the organization that it was or is a party to a prohibited tax shelter transaction?	5b	No
c	If "Yes," to line 5a or 5b, did the organization file Form 8886-T?	5c	
6a	Does the organization have annual gross receipts that are normally greater than \$100,000, and did the organization solicit any contributions that were not tax deductible as charitable contributions?	6a	No
b	If "Yes," did the organization include with every solicitation an express statement that such contributions or gifts were not tax deductible?	6b	
7	Organizations that may receive deductible contributions under section 170(c).		
a	Did the organization receive a payment in excess of \$75 made partly as a contribution and partly for goods and services provided to the payor?	7a	No
b	If "Yes," did the organization notify the donor of the value of the goods or services provided?	7b	
c	Did the organization sell, exchange, or otherwise dispose of tangible personal property for which it was required to file Form 8282?	7c	No
d	If "Yes," indicate the number of Forms 8282 filed during the year	7d	
e	Did the organization receive any funds, directly or indirectly, to pay premiums on a personal benefit contract?	7e	No
f	Did the organization, during the year, pay premiums, directly or indirectly, on a personal benefit contract?	7f	No
g	If the organization received a contribution of qualified intellectual property, did the organization file Form 8899 as required?	7g	
h	If the organization received a contribution of cars, boats, airplanes, or other vehicles, did the organization file a Form 1098-C?	7h	
8	Sponsoring organizations maintaining donor advised funds and section 509(a)(3) supporting organizations. Did the supporting organization, or a donor advised fund maintained by a sponsoring organization, have excess business holdings at any time during the year?	8	
9	Sponsoring organizations maintaining donor advised funds.		
a	Did the organization make any taxable distributions under section 4966?	9a	
b	Did the organization make a distribution to a donor, donor advisor, or related person?	9b	
10	Section 501(c)(7) organizations. Enter		
a	Initiation fees and capital contributions included on Part VIII, line 12	10a	
b	Gross receipts, included on Form 990, Part VIII, line 12, for public use of club facilities	10b	
11	Section 501(c)(12) organizations. Enter		
a	Gross income from members or shareholders	11a	
b	Gross income from other sources (Do not net amounts due or paid to other sources against amounts due or received from them)	11b	
12a	Section 4947(a)(1) non-exempt charitable trusts. Is the organization filing Form 990 in lieu of Form 1041?	12a	
b	If "Yes," enter the amount of tax-exempt interest received or accrued during the year	12b	
13	Section 501(c)(29) qualified nonprofit health insurance issuers.		
a	Is the organization licensed to issue qualified health plans in more than one state? Note. See the instructions for additional information the organization must report on Schedule O	13a	
b	Enter the amount of reserves the organization is required to maintain by the states in which the organization is licensed to issue qualified health plans	13b	
c	Enter the amount of reserves on hand	13c	
14a	Did the organization receive any payments for indoor tanning services during the tax year?	14a	No
b	If "Yes," has it filed a Form 720 to report these payments? If "No," provide an explanation in Schedule O	14b	

Part VI

Governance, Management, and Disclosure

For each "Yes" response to lines 2 through 7b below, and for a "No" response to lines 8a, 8b, or 10b below, describe the circumstances, processes, or changes in Schedule O. See instructions.

Check if Schedule O contains a response or note to any line in this Part VI

Section A. Governing Body and Management

		Yes	No
1a	Enter the number of voting members of the governing body at the end of the tax year	14	
If there are material differences in voting rights among members of the governing body, or if the governing body delegated broad authority to an executive committee or similar committee, explain in Schedule O			
b	Enter the number of voting members included in line 1a, above, who are independent	14	
2	Did any officer, director, trustee, or key employee have a family relationship or a business relationship with any other officer, director, trustee, or key employee?	2	No
3	Did the organization delegate control over management duties customarily performed by or under the direct supervision of officers, directors or trustees, or key employees to a management company or other person?	3	No
4	Did the organization make any significant changes to its governing documents since the prior Form 990 was filed?	4	No
5	Did the organization become aware during the year of a significant diversion of the organization's assets?	5	No
6	Did the organization have members or stockholders?	6	No
7a	Did the organization have members, stockholders, or other persons who had the power to elect or appoint one or more members of the governing body?	7a	Yes
b	Are any governance decisions of the organization reserved to (or subject to approval by) members, stockholders, or persons other than the governing body?	7b	Yes
8	Did the organization contemporaneously document the meetings held or written actions undertaken during the year by the following		
a	The governing body?	8a	Yes
b	Each committee with authority to act on behalf of the governing body?	8b	Yes
9	Is there any officer, director, trustee, or key employee listed in Part VII, Section A, who cannot be reached at the organization's mailing address? If "Yes," provide the names and addresses in Schedule O	9	No

Section B. Policies (This Section B requests information about policies not required by the Internal Revenue Code.)

		Yes	No
10a	Did the organization have local chapters, branches, or affiliates?	10a	No
b	If "Yes," did the organization have written policies and procedures governing the activities of such chapters, affiliates, and branches to ensure their operations are consistent with the organization's exempt purposes?	10b	
11a	Has the organization provided a complete copy of this Form 990 to all members of its governing body before filing the form?	11a	Yes
b	Describe in Schedule O the process, if any, used by the organization to review this Form 990		
12a	Did the organization have a written conflict of interest policy? If "No," go to line 13	12a	Yes
b	Were officers, directors, or trustees, and key employees required to disclose annually interests that could give rise to conflicts?	12b	Yes
c	Did the organization regularly and consistently monitor and enforce compliance with the policy? If "Yes," describe in Schedule O how this was done	12c	Yes
13	Did the organization have a written whistleblower policy?	13	Yes
14	Did the organization have a written document retention and destruction policy?	14	Yes
15	Did the process for determining compensation of the following persons include a review and approval by independent persons, comparability data, and contemporaneous substantiation of the deliberation and decision?		
a	The organization's CEO, Executive Director, or top management official	15a	Yes
b	Other officers or key employees of the organization	15b	No
If "Yes" to line 15a or 15b, describe the process in Schedule O (see instructions)			
16a	Did the organization invest in, contribute assets to, or participate in a joint venture or similar arrangement with a taxable entity during the year?	16a	Yes
b	If "Yes," did the organization follow a written policy or procedure requiring the organization to evaluate its participation in joint venture arrangements under applicable federal tax law, and take steps to safeguard the organization's exempt status with respect to such arrangements?	16b	Yes

Section C. Disclosure

17	List the States with which a copy of this Form 990 is required to be filed▶NC
18	Section 6104 requires an organization to make its Form 1023 (or 1024 if applicable), 990, and 990-T (501(c)(3)s only) available for public inspection. Indicate how you made these available. Check all that apply. <input type="checkbox"/> Own website <input type="checkbox"/> Another's website <input checked="" type="checkbox"/> Upon request <input type="checkbox"/> Other (explain in Schedule O)
19	Describe in Schedule O whether (and if so, how) the organization made its governing documents, conflict of interest policy, and financial statements available to the public during the tax year
20	State the name, physical address, and telephone number of the person who possesses the books and records of the organization ▶MICHAEL DEVAUGHN CFO 3000 New Bern Avenue Raleigh, NC 27610 (919) 350-0522

Check if Schedule O contains a response or note to any line in this Part VII ☐

1a Complete this table for all persons required to be listed. Report compensation for the calendar year ending with or within the organization's tax year.

- List all of the organization's **current** key employees, if any See instructions for definition of "key employee "

- List the organization's five **current** highest compensated employees (other than an officer, director, trustee or key employee) who received reportable compensation (Box 5 of Form W-2 and/or Box 7 of Form 1099-MISC) of more than \$100,000 from the organization and any related organizations

- List all of the organization's **former** officers, key employees, or highest compensated employees who received more than \$100,000 of reportable compensation from the organization and any related organizations

- List all of the organization's **former directors or trustees** that received, in the capacity as a former director or trustee of the organization, more than \$10,000 of reportable compensation from the organization and any related organizations

List persons in the following order: individual trustees or directors; institutional trustees; officers; key employees; highest compensated employees; and former such persons

☐ Check this box if neither the organization nor any related organization compensated any current officer, director, or trustee

[illegible]

Part VII

1b	Sub-Total	▼			
c	Total from continuation sheets to Part VII, Section A	▼			
d	Total (add lines 1b and 1c)	▼	9,889,294	0	631,900

2 Total number of individuals (including but not limited to those listed in the table below) who received more than \$100,000 of reportable compensation from the organization 623

		Yes	No
3	Did the organization list any former officer, director or trustee, key employee, or highest compensated employee on line 1a? <i>If "Yes," complete Schedule J for such individual</i>	3	No
4	For any individual listed on line 1a, is the sum of reportable compensation and other compensation from the organization and related organizations greater than \$150,000? <i>If "Yes," complete Schedule J for such individual</i>	4	Yes
5	Did any person listed on line 1a receive or accrue compensation from any unrelated organization or individual for services rendered to the organization? <i>If "Yes," complete Schedule J for such person</i>	5	No

Section B. Independent Contractors

1 Complete this table for your five highest compensated independent contractors that received more than \$100,000 of compensation from the organization. Report compensation for the calendar year ending with or within the organization's tax year.

(A)	(B)	(C)
Name and business address	Description of services	Compensation
Evolent Health, 800 N Glebe Rd Ste 500 Arlington VA 22203	Healthcare Consult	11,149,175
University of NC Hospitals, 211 Fnday Ctr Dr Gen Acctngntg Ste Chapel Hill NC 27517	Healthcare Services	5,091,347
BBH Design, 8208 Brownleigh Dr Ste 200 Raleigh NC 27617	Design Services	3,644,440
Napolitano Co, 90 West Wieuca Rd Ste 103 Atlanta GA 30342	Advertising Services	3,279,281
Smith Moore Leatherwood LLP, 300 N Greene St 1400 Greensboro NC 27401	Legal Services	2,788,666

2 Total number of independent contractors (including but not limited to those listed above) who received more than \$100,000 of compensation from the organization ▶62

Part VIII

Statement of Revenue

Check if Schedule O contains a response or note to any line in this Part VIII

			(A) Total revenue	(B) Related or exempt function revenue	(C) Unrelated business revenue	(D) Revenue excluded from tax under sections 512-514
Contributions, Gifts, Grants and Other Similar Amounts	1a	Federated campaigns 1a				
	b	Membership dues 1b				
	c	Fundraising events 1c	0			
	d	Related organizations 1d	0			
	e	Government grants (contributions) 1e	4,262,955			
	f	All other contributions, gifts, grants, and similar amounts not included above 1f	468,191			
	g	Noncash contributions included in lines 1a-1f \$	0			
	h	Total. Add lines 1a-1f	4,731,146			
Program Service Revenue	2a	Patient Services				
		Business Code				
		621500	966,893,808	966,893,808	0	0
	b	Non-Patient Services	3,820,140	0	3,820,140	0
	c	Cafeteria	4,281,826	0	0	4,281,826
	d	PURCH DISCOUNTS/REBATE/VHA	3,017,429	3,017,429		
	e	OTHER OPERATING REVENUE	14,568,237	7,798,112	1,201,259	5,568,866
	f	All other program service revenue	11,462,008	11,462,008		
	g	Total. Add lines 2a-2f	1,004,043,448			
Other Revenue	3	Investment income (including dividends, interest, and other similar amounts)	9,981,475			9,981,475
	4	Income from investment of tax-exempt bond proceeds	0			
	5	Royalties	0			
	6a	Gross rents				
		(i) Real	828,575			
		(ii) Personal				
	b	Less rental expenses	70,274			
	c	Rental income or (loss)	758,301	0		
	d	Net rental income or (loss)	758,301			758,301
	7a	Gross amount from sales of assets other than inventory	242,846,243	480,458		
	b	Less cost or other basis and sales expenses	244,357,817	630,321		
	c	Gain or (loss)	-1,511,574	-149,863		
	d	Net gain or (loss)	-1,661,437			-1,661,437
	8a	Gross income from fundraising events (not including \$ _____ of contributions reported on line 1c) See Part IV, line 18				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from fundraising events	0			
	9a	Gross income from gaming activities See Part IV, line 19				
		a				
	b	Less direct expenses b				
	c	Net income or (loss) from gaming activities	0			
	10a	Gross sales of inventory, less returns and allowances				
		a				
	b	Less cost of goods sold b				
	c	Net income or (loss) from sales of inventory	0			
		Miscellaneous Revenue				
		Business Code				
	11a	Rev from Joint Venture	900099	6,531,753	6,531,753	0
	b					
	c					
	d	All other revenue				
	e	Total. Add lines 11a-11d	6,531,753			
	12	Total revenue. See Instructions	1,024,384,686	995,703,110	5,021,399	18,929,031

Part IX

Statement of Functional Expenses

Section 501(c)(3) and 501(c)(4) organizations must complete all columns. All other organizations must complete column (A).

Check if Schedule O contains a response or note to any line in this Part IX

Do not include amounts reported on lines 6b, 7b, 8b, 9b, and 10b of Part VIII.		(A) Total expenses	(B) Program service expenses	(C) Management and general expenses	(D) Fundraising expenses
1	Grants and other assistance to governments and organizations in the United States. See Part IV, line 21.	1,799,614	1,799,614		
2	Grants and other assistance to individuals in the United States. See Part IV, line 22.	98,494	98,494		
3	Grants and other assistance to governments, organizations, and individuals outside the United States. See Part IV, lines 15 and 16.	0	0		
4	Benefits paid to or for members.	0	0		
5	Compensation of current officers, directors, trustees, and key employees.	7,161,655	5,729,324	1,432,331	0
6	Compensation not included above, to disqualified persons (as defined under section 4958(f)(1)) and persons described in section 4958(c)(3)(B).	0	0	0	0
7	Other salaries and wages.	467,318,853	397,221,025	70,097,828	0
8	Pension plan accruals and contributions (include section 401(k) and 403(b) employer contributions).	23,675,710	20,124,354	3,551,356	0
9	Other employee benefits.	47,909,798	40,723,328	7,186,470	0
10	Payroll taxes.	33,501,146	28,475,974	5,025,172	0
11	Fees for services (non-employees):				
a	Management.	17,588	0	17,588	0
b	Legal.	1,427,303	1,341,665	85,638	0
c	Accounting.	240,098	219,810	20,288	0
d	Lobbying.	518,680	487,559	31,121	0
e	Professional fundraising services. See Part IV, line 17.	0			0
f	Investment management fees.	976,312	917,733	58,579	0
g	Other (If line 11g amount exceeds 10% of line 25, column (A) amount, list line 11g expenses on Schedule O).	79,152,008	74,402,888	4,749,120	0
12	Advertising and promotion.	5,002,058	4,701,935	300,123	0
13	Office expenses.	35,361,294	33,239,616	2,121,678	0
14	Information technology.	20,096,864	18,891,052	1,205,812	0
15	Royalties.	0	0	0	0
16	Occupancy.	23,286,024	21,888,863	1,397,161	0
17	Travel.	847,022	796,201	50,821	0
18	Payments of travel or entertainment expenses for any federal, state, or local public officials.	0	0	0	0
19	Conferences, conventions, and meetings.	1,273,246	1,196,851	76,395	0
20	Interest.	11,490,465	11,490,465	0	0
21	Payments to affiliates.	0	0	0	0
22	Depreciation, depletion, and amortization.	66,411,964	66,411,964	0	0
23	Insurance.	6,127,020	5,759,399	367,621	0
24	Other expenses. Itemize expenses not covered above (List miscellaneous expenses in line 24e. If line 24e amount exceeds 10% of line 25, column (A) amount, list line 24e expenses on Schedule O).				
a	MEDICAL SUPPLIES	135,602,703	135,602,703	0	0
b	GAP ASSESSMENT	24,448,411	22,981,506	1,466,905	0
c	REPAIRS/MAINTENANCE	21,075,067	16,860,054	4,215,013	
d	MINOR EQUIPMENT	2,781,057	2,614,194	166,863	0
e	All other expenses	16,567,242	15,573,206	994,036	
25	Total functional expenses. Add lines 1 through 24e.	1,034,167,696	929,549,777	104,617,919	0
26	Joint costs. Complete this line only if the organization reported in column (B) joint costs from a combined educational campaign and fundraising solicitation. Check here <input type="checkbox"/> if following SOP 98-2 (ASC 958-720).				

Part X

Balance Sheet

Check if Schedule O contains a response or note to any line in this Part X

				(A)		(B)
				Beginning of year		End of year
Assets	1	Cash—non-interest-bearing		49,291	1	59,580
	2	Savings and temporary cash investments		499,444,897	2	442,952,517
	3	Pledges and grants receivable, net		208,443	3	64,410
	4	Accounts receivable, net		186,847,670	4	220,110,341
	5	Loans and other receivables from current and former officers, directors, trustees, key employees, and highest compensated employees. Complete Part II of Schedule L.		0	5	0
	6	Loans and other receivables from other disqualified persons (as defined under section 4958(f)(1)), persons described in section 4958(c)(3)(B), and contributing employers and sponsoring organizations of section 501(c)(9) voluntary employees' beneficiary organizations (see instructions). Complete Part II of Schedule L.		0	6	0
	7	Notes and loans receivable, net		10,328,141	7	8,946,756
	8	Inventories for sale or use		19,389,002	8	21,286,609
	9	Prepaid expenses and deferred charges		10,112,358	9	11,079,654
	10a	Land, buildings, and equipment: cost or other basis. Complete Part VI of Schedule D.	10a1,415,795,952			
	b	Less: accumulated depreciation	10b834,214,171	542,307,444	10c	581,581,781
	11	Investments—publicly traded securities		45,872,778	11	49,784,743
	12	Investments—other securities. See Part IV, line 11.		0	12	0
	13	Investments—program-related. See Part IV, line 11.		0	13	0
	14	Intangible assets		1,416,406	14	942,955
	15	Other assets. See Part IV, line 11.		85,056,706	15	86,637,883
	16	Total assets. Add lines 1 through 15 (must equal line 34).		1,401,033,136	16	1,423,447,229
Liabilities	17	Accounts payable and accrued expenses		137,093,507	17	142,508,328
	18	Grants payable		0	18	0
	19	Deferred revenue		685,078	19	960,613
	20	Tax-exempt bond liabilities		454,853,773	20	444,153,422
	21	Escrow or custodial account liability. Complete Part IV of Schedule D.		0	21	0
	22	Loans and other payables to current and former officers, directors, trustees, key employees, highest compensated employees, and disqualified persons. Complete Part II of Schedule L.		0	22	0
	23	Secured mortgages and notes payable to unrelated third parties		0	23	0
	24	Unsecured notes and loans payable to unrelated third parties		0	24	0
	25	Other liabilities (including federal income tax, payables to related third parties, and other liabilities not included on lines 17–24). Complete Part X of Schedule D.		44,100,726	25	45,228,838
	26	Total liabilities. Add lines 17 through 25.		636,733,084	26	632,851,201
Net Assets or Fund Balances	Organizations that follow SFAS 117 (ASC 958), check here <input checked="" type="checkbox"/> and complete lines 27 through 29, and lines 33 and 34.					
	27	Unrestricted net assets		763,772,449	27	790,034,915
	28	Temporarily restricted net assets		198,371	28	228,572
	29	Permanently restricted net assets		329,232	29	332,541
	Organizations that do not follow SFAS 117 (ASC 958), check here <input type="checkbox"/> and complete lines 30 through 34.					
	30	Capital stock or trust principal, or current funds			30	
	31	Paid-in or capital surplus, or land, building or equipment fund			31	
	32	Retained earnings, endowment, accumulated income, or other funds			32	
	33	Total net assets or fund balances		764,300,052	33	790,596,028
	34	Total liabilities and net assets/fund balances		1,401,033,136	34	1,423,447,229

Part XI Reconciliation of Net Assets

Check if Schedule O contains a response or note to any line in this Part XI

1	Total revenue (must equal Part VIII, column (A), line 12)	1	1,024,384,686
2	Total expenses (must equal Part IX, column (A), line 25)	2	1,034,167,696
3	Revenue less expenses Subtract line 2 from line 1	3	-9,783,010
4	Net assets or fund balances at beginning of year (must equal Part X, line 33, column (A))	4	764,300,052
5	Net unrealized gains (losses) on investments	5	8,073,971
6	Donated services and use of facilities	6	
7	Investment expenses	7	976,312
8	Prior period adjustments	8	
9	Other changes in net assets or fund balances (explain in Schedule O)	9	27,028,703
10	Net assets or fund balances at end of year Combine lines 3 through 9 (must equal Part X, line 33, column (B))	10	790,596,028

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

		Yes	No
1	Accounting method used to prepare the Form 990 <input type="checkbox"/> Cash <input checked="" type="checkbox"/> Accrual <input type="checkbox"/> Other _____ If the organization changed its method of accounting from a prior year or checked "Other," explain in Schedule O		
2a	Were the organization's financial statements compiled or reviewed by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were compiled or reviewed on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis		No
2b	Were the organization's financial statements audited by an independent accountant? If "Yes," check a box below to indicate whether the financial statements for the year were audited on a separate basis, consolidated basis, or both <input type="checkbox"/> Separate basis <input checked="" type="checkbox"/> Consolidated basis <input type="checkbox"/> Both consolidated and separate basis	Yes	
2c	If "Yes," to line 2a or 2b, does the organization have a committee that assumes responsibility for oversight of the audit, review, or compilation of its financial statements and selection of an independent accountant? If the organization changed either its oversight process or selection process during the tax year, explain in Schedule O	Yes	
3a	As a result of a federal award, was the organization required to undergo an audit or audits as set forth in the Single Audit Act and OMB Circular A-133?	Yes	
3b	If "Yes," did the organization undergo the required audit or audits? If the organization did not undergo the required audit or audits, explain why in Schedule O and describe any steps taken to undergo such audits	Yes	

Form 990, Part VII - Compensation of Officers, Directors, Trustees, Key Employees, Highest Compensated Employees, and Independent Contractors

(A) Name and Title	(B) Average hours per week (list any hours for related organizations below dotted line)	(C) Position (do not check more than one box, unless person is both an officer and a director/trustee)						(D) Reportable compensation from the organization (W-2/1099-MISC)	(E) Reportable compensation from related organizations (W-2/1099-MISC)	(F) Estimated amount of other compensation from the organization and related organizations
		Individual trustee or director	Institutional Trustee	Officer	Key employee	Highest compensated employee	Former			
BETSY GASKINS-MCCLAIN	70 0				X			243,282	0	31,218
VP HEART & VASCULAR	0 0				X					
CYNTHIA ALNESS-BOILY	60 0				X			327,765	0	35,684
SENIOR VP-OPERATIONS & CNO	0 0				X					
VICKI BLOCK	60 0				X			289,930	0	30,577
SR VP & ADMINISTRATOR RALEIGH	0 0				X					
DUDLEY HARRINGTON	65 0				X			275,687	0	41,080
VP REVENUE CYCLE	0 0				X					
GEORGIA C HARRINGTON	48 0				X			210,718	0	25,872
VP OPERATIONS	0 0									
GURVINDER S DEOL	65 0					X		944,295	0	32,301
PHYSICIAN	0 0					X				
JONATHAN D CHAPPELL	65 0					X		796,851	0	23,667
PHYSICIAN	0 0					X				
MARK L WOOD	65 0					X		674,980	0	30,507
PHYSICIAN	0 0					X				
OKECHUKWU E NWOKO	65 0					X		795,131	0	16,069
PHYSICIAN	0 0					X				
MARC T SILVER	65 0					X		688,919	0	33,268
PHYSICIAN	0 0					X				

SCHEDULE A

(Form 990 or 990EZ)

Department of the
Treasury
Internal Revenue Service

Public Charity Status and Public Support

Complete if the organization is a section 501(c)(3) organization or a section 4947(a)(1) nonexempt charitable trust.

▶ **Attach to Form 990 or Form 990-EZ.** ▶ **See separate instructions.**
▶ **Information about Schedule A (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public
Inspection

Name of the organization WakeMed	Employer identification number 56-6017737
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Part I

Reason for Public Charity Status (All organizations must complete this part.) See instructions.

The organization is not a private foundation because it is (For lines 1 through 11, check only one box)

1	<input type="checkbox"/>	A church, convention of churches, or association of churches described in section 170(b)(1)(A)(i).
2	<input type="checkbox"/>	A school described in section 170(b)(1)(A)(ii). (Attach Schedule E)
3	<input checked="" type="checkbox"/>	A hospital or a cooperative hospital service organization described in section 170(b)(1)(A)(iii).
4	<input type="checkbox"/>	A medical research organization operated in conjunction with a hospital described in section 170(b)(1)(A)(iii). Enter the hospital's name, city, and state _____
5	<input type="checkbox"/>	An organization operated for the benefit of a college or university owned or operated by a governmental unit described in section 170(b)(1)(A)(iv). (Complete Part II)
6	<input type="checkbox"/>	A federal, state, or local government or governmental unit described in section 170(b)(1)(A)(v).
7	<input type="checkbox"/>	An organization that normally receives a substantial part of its support from a governmental unit or from the general public described in section 170(b)(1)(A)(vi). (Complete Part II)
8	<input type="checkbox"/>	A community trust described in section 170(b)(1)(A)(vi) (Complete Part II)
9	<input type="checkbox"/>	An organization that normally receives (1) more than 33 1/3% of its support from contributions, membership fees, and gross receipts from activities related to its exempt functions—subject to certain exceptions, and (2) no more than 33 1/3% of its support from gross investment income and unrelated business taxable income (less section 511 tax) from businesses acquired by the organization after June 30, 1975 See section 509(a)(2). (Complete Part III)
10	<input type="checkbox"/>	An organization organized and operated exclusively to test for public safety See section 509(a)(4).
11	<input type="checkbox"/>	An organization organized and operated exclusively for the benefit of, to perform the functions of, or to carry out the purposes of one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2) See section 509(a)(3). Check the box that describes the type of supporting organization and complete lines 11e through 11h a <input type="checkbox"/> Type I b <input type="checkbox"/> Type II c <input type="checkbox"/> Type III - Functionally integrated d <input type="checkbox"/> Type III - Non-functionally integrated
e	<input type="checkbox"/>	By checking this box, I certify that the organization is not controlled directly or indirectly by one or more disqualified persons other than foundation managers and other than one or more publicly supported organizations described in section 509(a)(1) or section 509(a)(2)
f	<input type="checkbox"/>	If the organization received a written determination from the IRS that it is a Type I, Type II, or Type III supporting organization, check this box
g	<input type="checkbox"/>	Since August 17, 2006, has the organization accepted any gift or contribution from any of the following persons? (i) A person who directly or indirectly controls, either alone or together with persons described in (ii) and (iii) below, the governing body of the supported organization? (ii) A family member of a person described in (i) above? (iii) A 35% controlled entity of a person described in (i) or (ii) above?
h	<input type="checkbox"/>	Provide the following information about the supported organization(s)

	Yes	No
11g(i)		
11g(ii)		
11g(iii)		

(i) Name of supported organization	(ii) EIN	(iii) Type of organization (described on lines 1- 9 above or IRC section (see instructions))	(iv) Is the organization in col (i) listed in your governing document?		(v) Did you notify the organization in col (i) of your support?		(vi) Is the organization in col (i) organized in the U S ?		(vii) Amount of monetary support
			Yes	No	Yes	No	Yes	No	
Total									

Part II

Support Schedule for Organizations Described in Sections 170(b)(1)(A)(iv) and 170(b)(1)(A)(vi)
(Complete only if you checked the box on line 5, 7, or 8 of Part I or if the organization failed to qualify under Part III. If the organization fails to qualify under the tests listed below, please complete Part III.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
3 The value of services or facilities furnished by a governmental unit to the organization without charge						
4 Total. Add lines 1 through 3						
5 The portion of total contributions by each person (other than a governmental unit or publicly supported organization) included on line 1 that exceeds 2% of the amount shown on line 11, column (f)						
6 Public support. Subtract line 5 from line 4						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
7 Amounts from line 4						
8 Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
9 Net income from unrelated business activities, whether or not the business is regularly carried on						
10 Other income Do not include gain or loss from the sale of capital assets (Explain in Part IV)						
11 Total support (Add lines 7 through 10)						
12 Gross receipts from related activities, etc (see instructions)					12	
13 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage			
14 Public support percentage for 2013 (line 6, column (f) divided by line 11, column (f))	14		
15 Public support percentage for 2012 Schedule A, Part II, line 14	15		
16a 33 1/3% support test—2013. If the organization did not check the box on line 13, and line 14 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
b 33 1/3% support test—2012. If the organization did not check a box on line 13 or 16a, and line 15 is 33 1/3% or more, check this box and stop here. The organization qualifies as a publicly supported organization			▶
17a 10%-facts-and-circumstances test—2013. If the organization did not check a box on line 13, 16a, or 16b, and line 14 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
b 10%-facts-and-circumstances test—2012. If the organization did not check a box on line 13, 16a, 16b, or 17a, and line 15 is 10% or more, and if the organization meets the "facts-and-circumstances" test, check this box and stop here. Explain in Part IV how the organization meets the "facts-and-circumstances" test The organization qualifies as a publicly supported organization			▶
18 Private foundation. If the organization did not check a box on line 13, 16a, 16b, 17a, or 17b, check this box and see instructions			▶

Part IIISupport Schedule for Organizations Described in Section 509(a)(2)
(Complete only if you checked the box on line 9 of Part I or if the organization failed to qualify under Part II. If the organization fails to qualify under the tests listed below, please complete Part II.)

Section A. Public Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
1 Gifts, grants, contributions, and membership fees received (Do not include any "unusual grants.")						
2 Gross receipts from admissions, merchandise sold or services performed, or facilities furnished in any activity that is related to the organization's tax-exempt purpose						
3 Gross receipts from activities that are not an unrelated trade or business under section 513						
4 Tax revenues levied for the organization's benefit and either paid to or expended on its behalf						
5 The value of services or facilities furnished by a governmental unit to the organization without charge						
6 Total. Add lines 1 through 5						
7a Amounts included on lines 1, 2, and 3 received from disqualified persons						
b Amounts included on lines 2 and 3 received from other than disqualified persons that exceed the greater of \$5,000 or 1% of the amount on line 13 for the year						
c Add lines 7a and 7b						
8 Public support (Subtract line 7c from line 6.)						

Section B. Total Support						
Calendar year (or fiscal year beginning in) ▶	(a) 2009	(b) 2010	(c) 2011	(d) 2012	(e) 2013	(f) Total
9 Amounts from line 6						
10a Gross income from interest, dividends, payments received on securities loans, rents, royalties and income from similar sources						
b Unrelated business taxable income (less section 511 taxes) from businesses acquired after June 30, 1975						
c Add lines 10a and 10b						
11 Net income from unrelated business activities not included in line 10b, whether or not the business is regularly carried on						
12 Other income. Do not include gain or loss from the sale of capital assets (Explain in Part IV.)						
13 Total support. (Add lines 9, 10c, 11, and 12.)						
14 First five years. If the Form 990 is for the organization's first, second, third, fourth, or fifth tax year as a 501(c)(3) organization, check this box and stop here ▶						

Section C. Computation of Public Support Percentage		
15 Public support percentage for 2013 (line 8, column (f) divided by line 13, column (f))	15	
16 Public support percentage from 2012 Schedule A, Part III, line 15	16	

Section D. Computation of Investment Income Percentage		
17 Investment income percentage for 2013 (line 10c, column (f) divided by line 13, column (f))	17	
18 Investment income percentage from 2012 Schedule A, Part III, line 17	18	
19a 33 1/3% support tests—2013. If the organization did not check the box on line 14, and line 15 is more than 33 1/3%, and line 17 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
b 33 1/3% support tests—2012. If the organization did not check a box on line 14 or line 19a, and line 16 is more than 33 1/3% and line 18 is not more than 33 1/3%, check this box and stop here. The organization qualifies as a publicly supported organization ▶		
20 Private foundation. If the organization did not check a box on line 14, 19a, or 19b, check this box and see instructions ▶		

Part IV **Supplemental Information.** Provide the explanations required by Part II, line 10; Part II, line 17a or 17b; and Part III, line 12. Also complete this part for any additional information. (See instructions).

Facts And Circumstances Test

Return Reference	Explanation	
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SCHEDULE C

(Form 990 or 990-EZ)

Department of the Treasury
Internal Revenue Service

Political Campaign and Lobbying Activities

For Organizations Exempt From Income Tax Under section 501(c) and section 527
▶ **Complete if the organization is described below. ▶ Attach to Form 990 or Form 990-EZ.**
▶ **See separate instructions. ▶ Information about Schedule C (Form 990 or 990-EZ) and its instructions is at *www.irs.gov/form990*.**

OMB No 1545-0047

2013

Open to Public Inspection

If the organization answered "Yes" to Form 990, Part IV, Line 3, or Form 990-EZ, Part V, line 46 (Political Campaign Activities), then

- Section 501(c)(3) organizations Complete Parts I-A and B Do not complete Part I-C
- Section 501(c) (other than section 501(c)(3)) organizations Complete Parts I-A and C below Do not complete Part I-B
- Section 527 organizations Complete Part I-A only

If the organization answered "Yes" to Form 990, Part IV, Line 4, or Form 990-EZ, Part VI, line 47 (Lobbying Activities), then

- Section 501(c)(3) organizations that have filed Form 5768 (election under section 501(h)) Complete Part II-A Do not complete Part II-B
- Section 501(c)(3) organizations that have NOT filed Form 5768 (election under section 501(h)) Complete Part II-B Do not complete Part II-A

If the organization answered "Yes" to Form 990, Part IV, Line 5 (Proxy Tax) or Form 990-EZ, Part V, line 35c (Proxy Tax), then

- Section 501(c)(4), (5), or (6) organizations Complete Part III

Name of the organization WakeMed	Employer identification number 56-6017737
-------------------------------------	--

Part I-A Complete if the organization is exempt under section 501(c) or is a section 527 organization.

1	Provide a description of the organization's direct and indirect political campaign activities in Part IV	
2	Political expenditures	▶ \$ _____
3	Volunteer hours	_____

Part I-B Complete if the organization is exempt under section 501(c)(3).

1	Enter the amount of any excise tax incurred by the organization under section 4955	▶ \$ _____
2	Enter the amount of any excise tax incurred by organization managers under section 4955	▶ \$ _____
3	If the organization incurred a section 4955 tax, did it file Form 4720 for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
4a	Was a correction made?	<input type="checkbox"/> Yes <input type="checkbox"/> No
b	If "Yes," describe in Part IV	

Part I-C Complete if the organization is exempt under section 501(c), except section 501(c)(3).

1	Enter the amount directly expended by the filing organization for section 527 exempt function activities	▶ \$ _____
2	Enter the amount of the filing organization's funds contributed to other organizations for section 527 exempt function activities	▶ \$ _____
3	Total exempt function expenditures Add lines 1 and 2 Enter here and on Form 1120-POL, line 17b	▶ \$ _____
4	Did the filing organization file Form 1120-POL for this year?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5	Enter the names, addresses and employer identification number (EIN) of all section 527 political organizations to which the filing organization made payments For each organization listed, enter the amount paid from the filing organization's funds Also enter the amount of political contributions received that were promptly and directly delivered to a separate political organization, such as a separate segregated fund or a political action committee (PAC) If additional space is needed, provide information in Part IV	

(a) Name	(b) Address	(c) EIN	(d) Amount paid from filing organization's funds If none, enter -0-	(e) Amount of political contributions received and promptly and directly delivered to a separate political organization If none, enter -0-

Part II-A

Complete if the organization is exempt under section 501(c)(3) and filed Form 5768 (election under section 501(h)).

- A
- Check ☐ if the filing organization belongs to an affiliated group (and list in Part IV each affiliated group member's name, address, EIN, expenses, and share of excess lobbying expenditures)
- B
- Check ☐ if the filing organization checked box A and "limited control" provisions apply

Limits on Lobbying Expenditures (The term "expenditures" means amounts paid or incurred.)		(a) Filing organization's totals	(b) Affiliated group totals												
1a Total lobbying expenditures to influence public opinion (grass roots lobbying)															
b Total lobbying expenditures to influence a legislative body (direct lobbying)															
c Total lobbying expenditures (add lines 1a and 1b)															
d Other exempt purpose expenditures															
e Total exempt purpose expenditures (add lines 1c and 1d)															
f Lobbying nontaxable amount Enter the amount from the following table in both columns															
<table><tr><td>If the amount on line 1e, column (a) or (b) is:</td><td>The lobbying nontaxable amount is:</td></tr><tr><td>Not over \$500,000</td><td>20% of the amount on line 1e</td></tr><tr><td>Over \$500,000 but not over \$1,000,000</td><td>\$100,000 plus 15% of the excess over \$500,000</td></tr><tr><td>Over \$1,000,000 but not over \$1,500,000</td><td>\$175,000 plus 10% of the excess over \$1,000,000</td></tr><tr><td>Over \$1,500,000 but not over \$17,000,000</td><td>\$225,000 plus 5% of the excess over \$1,500,000</td></tr><tr><td>Over \$17,000,000</td><td>\$1,000,000</td></tr></table>		If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:	Not over \$500,000	20% of the amount on line 1e	Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000	Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000	Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000	Over \$17,000,000	\$1,000,000		
If the amount on line 1e, column (a) or (b) is:	The lobbying nontaxable amount is:														
Not over \$500,000	20% of the amount on line 1e														
Over \$500,000 but not over \$1,000,000	\$100,000 plus 15% of the excess over \$500,000														
Over \$1,000,000 but not over \$1,500,000	\$175,000 plus 10% of the excess over \$1,000,000														
Over \$1,500,000 but not over \$17,000,000	\$225,000 plus 5% of the excess over \$1,500,000														
Over \$17,000,000	\$1,000,000														
g Grassroots nontaxable amount (enter 25% of line 1f)															
h Subtract line 1g from line 1a If zero or less, enter -0-															
i Subtract line 1f from line 1c If zero or less, enter -0-															
j If there is an amount other than zero on either line 1h or line 1i, did the organization file Form 4720 reporting section 4911 tax for this year?		<input type="checkbox"/> Yes <input type="checkbox"/> No													

4-Year Averaging Period Under Section 501(h)
(Some organizations that made a section 501(h) election do not have to complete all of the five columns below. See the instructions for lines 2a through 2f on page 4.)

Lobbying Expenditures During 4-Year Averaging Period					
Calendar year (or fiscal year beginning in)	(a) 2010	(b) 2011	(c) 2012	(d) 2013	(e) Total
2a Lobbying nontaxable amount					
b Lobbying ceiling amount (150% of line 2a, column(e))					
c Total lobbying expenditures					
d Grassroots nontaxable amount					
e Grassroots ceiling amount (150% of line 2d, column (e))					
f Grassroots lobbying expenditures					

Part II-B

Complete if the organization is exempt under section 501(c)(3) and has NOT filed Form 5768 (election under section 501(h)).

For each "Yes" response to lines 1a through 1i below, provide in Part IV a detailed description of the lobbying activity.		(a)		(b)
		Yes	No	Amount
1	During the year, did the filing organization attempt to influence foreign, national, state or local legislation, including any attempt to influence public opinion on a legislative matter or referendum, through the use of			
a	Volunteers?		No	
b	Paid staff or management (include compensation in expenses reported on lines 1c through 1i)?	Yes		
c	Media advertisements?		No	0
d	Mailings to members, legislators, or the public?		No	0
e	Publications, or published or broadcast statements?		No	0
f	Grants to other organizations for lobbying purposes?		No	0
g	Direct contact with legislators, their staffs, government officials, or a legislative body?	Yes		518,680
h	Rallies, demonstrations, seminars, conventions, speeches, lectures, or any similar means?		No	0
i	Other activities?		No	0
j	Total. Add lines 1c through 1i.			518,680
2a	Did the activities in line 1 cause the organization to be not described in section 501(c)(3)?		No	
b	If "Yes," enter the amount of any tax incurred under section 4912			
c	If "Yes," enter the amount of any tax incurred by organization managers under section 4912			
d	If the filing organization incurred a section 4912 tax, did it file Form 4720 for this year?		No	

Part III-A

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6).

		Yes	No
1	Were substantially all (90% or more) dues received nondeductible by members?	1	
2	Did the organization make only in-house lobbying expenditures of \$2,000 or less?	2	
3	Did the organization agree to carry over lobbying and political expenditures from the prior year?	3	

Part III-B

Complete if the organization is exempt under section 501(c)(4), section 501(c)(5), or section 501(c)(6) and if either (a) BOTH Part III-A, lines 1 and 2, are answered "No" OR (b) Part III-A, line 3, is answered "Yes."

1	Dues, assessments and similar amounts from members	1	
2	Section 162(e) nondeductible lobbying and political expenditures (do not include amounts of political expenses for which the section 527(f) tax was paid).		
a	Current year	2a	
b	Carryover from last year	2b	
c	Total	2c	
3	Aggregate amount reported in section 6033(e)(1)(A) notices of nondeductible section 162(e) dues	3	
4	If notices were sent and the amount on line 2c exceeds the amount on line 3, what portion of the excess does the organization agree to carryover to the reasonable estimate of nondeductible lobbying and political expenditure next year?	4	
5	Taxable amount of lobbying and political expenditures (see instructions)	5	

Part IV

Supplemental Information

Provide the descriptions required for Part I-A, line 1, Part I-B, line 4, Part I-C, line 5, Part II-A (affiliated group list), Part II-A, line 2, and Part II-B, line 1. Also, complete this part for any additional information.

Return Reference	Explanation
SCHEDULE C, PART II-B, LINE 1	WAKEMED AND ITS OFFICE OF GOVERNMENT AFFAIRS WORK TO MAINTAIN AND STRENGTHEN EFFECTIVE RELATIONSHIPS WITH LEGISLATORS AND POLICY MAKERS AT THE STATE, LOCAL, AND NATIONAL LEVELS. THE OBJECTIVE IS TO ENSURE THAT WAKEMED'S POINT OF VIEW IS CONSISTENTLY AND CONTINUALLY HEARD SO THAT LEGISLATION, REGULATIONS, AND THE SETTING OF HEALTH POLICY SUPPORT THE ORGANIZATION'S ABILITY TO FULFILL ITS MISSION OF CARE FOR ALL, REGARDLESS OF THE ABILITY TO PAY.

Part IV

Return Reference

Explanation

SCHEDULE D
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Financial Statements

▶ **Complete if the organization answered "Yes," to Form 990, Part IV, line 6, 7, 8, 9, 10, 11a, 11b, 11c, 11d, 11e, 11f, 12a, or 12b**
▶ **Attach to Form 990.** ▶ **See separate instructions.** ▶ **Information about Schedule D (Form 990) and its instructions is at www.irs.gov/form990.**

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I Organizations Maintaining Donor Advised Funds or Other Similar Funds or Accounts. Complete if the organization answered "Yes" to Form 990, Part IV, line 6.

	(a) Donor advised funds	(b) Funds and other accounts
1 Total number at end of year		
2 Aggregate contributions to (during year)		
3 Aggregate grants from (during year)		
4 Aggregate value at end of year		
5 Did the organization inform all donors and donor advisors in writing that the assets held in donor advised funds are the organization's property, subject to the organization's exclusive legal control?		<input type="checkbox"/> Yes <input type="checkbox"/> No
6 Did the organization inform all grantees, donors, and donor advisors in writing that grant funds can be used only for charitable purposes and not for the benefit of the donor or donor advisor, or for any other purpose conferring impermissible private benefit?		<input type="checkbox"/> Yes <input type="checkbox"/> No

Part II Conservation Easements. Complete if the organization answered "Yes" to Form 990, Part IV, line 7.

1 Purpose(s) of conservation easements held by the organization (check all that apply)
☐ Preservation of land for public use (e g , recreation or education) ☐ Preservation of an historically important land area
☐ Protection of natural habitat ☐ Preservation of a certified historic structure
☐ Preservation of open space

2 Complete lines 2a through 2d if the organization held a qualified conservation contribution in the form of a conservation easement on the last day of the tax year

a Total number of conservation easements

b Total acreage restricted by conservation easements

c Number of conservation easements on a certified historic structure included in (a)

d Number of conservation easements included in (c) acquired after 8/17/06, and not on a historic structure listed in the National Register

	Held at the End of the Year
2a	
2b	
2c	
2d	

3 Number of conservation easements modified, transferred, released, extinguished, or terminated by the organization during the tax year ▶ _____

4 Number of states where property subject to conservation easement is located ▶ _____

5 Does the organization have a written policy regarding the periodic monitoring, inspection, handling of violations, and enforcement of the conservation easements it holds? ☐ Yes ☐ No

6 Staff and volunteer hours devoted to monitoring, inspecting, and enforcing conservation easements during the year ▶ _____

7 Amount of expenses incurred in monitoring, inspecting, and enforcing conservation easements during the year ▶ \$ _____

8 Does each conservation easement reported on line 2(d) above satisfy the requirements of section 170(h)(4)(B)(i) and section 170(h)(4)(B)(ii)? ☐ Yes ☐ No

9 In Part XIII, describe how the organization reports conservation easements in its revenue and expense statement, and balance sheet, and include, if applicable, the text of the footnote to the organization's financial statements that describes the organization's accounting for conservation easements

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets. Complete if the organization answered "Yes" to Form 990, Part IV, line 8.

1a If the organization elected, as permitted under SFAS 116 (ASC 958), not to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide, in Part XIII, the text of the footnote to its financial statements that describes these items

b If the organization elected, as permitted under SFAS 116 (ASC 958), to report in its revenue statement and balance sheet works of art, historical treasures, or other similar assets held for public exhibition, education, or research in furtherance of public service, provide the following amounts relating to these items

(i) Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

(ii) Assets included in Form 990, Part X ▶ \$ _____

2 If the organization received or held works of art, historical treasures, or other similar assets for financial gain, provide the following amounts required to be reported under SFAS 116 (ASC 958) relating to these items

a Revenues included in Form 990, Part VIII, line 1 ▶ \$ _____

b Assets included in Form 990, Part X ▶ \$ _____

Part III Organizations Maintaining Collections of Art, Historical Treasures, or Other Similar Assets *(continued)*

- 3

Using the organization's acquisition, accession, and other records, check any of the following that are a significant use of its collection items (check all that apply)
- a

☐ Public exhibition

b

☐ Scholarly research

c

☐ Preservation for future generations

d

☐ Loan or exchange programs

e

☐ Other
- 4

Provide a description of the organization's collections and explain how they further the organization's exempt purpose in Part XIII
- 5

During the year, did the organization solicit or receive donations of art, historical treasures or other similar assets to be sold to raise funds rather than to be maintained as part of the organization's collection?

☐ Yes

☐ No

Part IV Escrow and Custodial Arrangements. Complete if the organization answered "Yes" to Form 990, Part IV, line 9, or reported an amount on Form 990, Part X, line 21.

- 1a

Is the organization an agent, trustee, custodian or other intermediary for contributions or other assets not included on Form 990, Part X?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII and complete the following table
- c

Beginning balance

d

Additions during the year

e

Distributions during the year

f

Ending balance
- | | |
|----|--------|
| | Amount |
| 1c | |
| 1d | |
| 1e | |
| 1f | |
- 2a

Did the organization include an amount on Form 990, Part X, line 21?

☐ Yes

☐ No
- b

If "Yes," explain the arrangement in Part XIII Check here if the explanation has been provided in Part XIII

☐

Part V Endowment Funds. Complete if the organization answered "Yes" to Form 990, Part IV, line 10.

	(a)Current year	(b)Prior year	b (c)Two years back	(d)Three years back	(e)Four years back
1a Beginning of year balance	329,232	324,984	327,535	322,669	316,547
b Contributions					
c Net investment earnings, gains, and losses	5,081	6,008	5,044	5,980	7,328
d Grants or scholarships					
e Other expenditures for facilities and programs			6,310		
f Administrative expenses	1,772	1,760	1,285	1,114	1,206
g End of year balance	332,541	329,232	324,984	327,535	322,669

- 2

Provide the estimated percentage of the current year end balance (line 1g, column (a)) held as
- a

Board designated or quasi-endowment
- b

Permanent endowment 100 000 %
- c

Temporarily restricted endowment

The percentages in lines 2a, 2b, and 2c should equal 100%
- 3a

Are there endowment funds not in the possession of the organization that are held and administered for the organization by
- (i) unrelated organizations

3a(i)

☐ Yes

☐ No

(ii) related organizations

3a(ii)

☐ Yes

☐ No
- b

If "Yes" to 3a(ii), are the related organizations listed as required on Schedule R?

3b

☐ Yes

☐ No
- 4

Describe in Part XIII the intended uses of the organization's endowment funds

Part VI Land, Buildings, and Equipment. Complete if the organization answered 'Yes' to Form 990, Part IV, line 11a. See Form 990, Part X, line 10.

Description of property	(a) Cost or other basis (investment)	(b) Cost or other basis (other)	(c) Accumulated depreciation	(d) Book value
1a Land	0	3,889,817		3,889,817
b Buildings		596,505,179	251,680,046	344,825,133
c Leasehold improvements		22,397,363	8,891,367	13,505,996
d Equipment		698,668,591	557,509,992	141,158,599
e Other		94,335,002	16,132,766	78,202,236
Total. Add lines 1a through 1e (Column (d) must equal Form 990, Part X, column (B), line 10(c).)				581,581,781

Part XI Reconciliation of Revenue per Audited Financial Statements With Revenue per Return Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total revenue, gains, and other support per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part VIII, line 12			
a	Net unrealized gains on investments	2a		
b	Donated services and use of facilities	2b		
c	Recoveries of prior year grants	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part VIII, line 12, but not on line 1			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total revenue Add lines 3 and 4c . (This must equal Form 990, Part I, line 12)		5	

Part XII Reconciliation of Expenses per Audited Financial Statements With Expenses per Return. Complete if the organization answered 'Yes' to Form 990, Part IV, line 12a.

1	Total expenses and losses per audited financial statements		1	
2	Amounts included on line 1 but not on Form 990, Part IX, line 25			
a	Donated services and use of facilities	2a		
b	Prior year adjustments	2b		
c	Other losses	2c		
d	Other (Describe in Part XIII)	2d		
e	Add lines 2a through 2d		2e	
3	Subtract line 2e from line 1		3	
4	Amounts included on Form 990, Part IX, line 25, but not on line 1 :			
a	Investment expenses not included on Form 990, Part VIII, line 7b	4a		
b	Other (Describe in Part XIII)	4b		
c	Add lines 4a and 4b		4c	
5	Total expenses Add lines 3 and 4c . (This must equal Form 990, Part I, line 18)		5	

Part XIII Supplemental Information

Provide the descriptions required for Part II, lines 3, 5, and 9, Part III, lines 1a and 4, Part IV, lines 1b and 2b, Part V, line 4, Part X, line 2, Part XI, lines 2d and 4b, and Part XII, lines 2d and 4b. Also complete this part to provide any additional information.

Return Reference	Explanation
INTENDED USE OF ENDOWMENT FUNDS	SCHEDULE D, PART V, LINE 4 THE ALLEN TRUST ENDOWMENT FUNDS ARE USED TO PROVIDE POOR AND INDIGENT PATIENTS WITH PRIVATE NURSING CARE WAKEMED DEFINES POOR AND INDIGENT AS THOSE WITH A FINANCIAL CLASS OF SELF-PAY OR MEDICAID A SITTER CAN BE EITHER IN THE HOSPITAL OR IN A HOME CARE SETTING

[illegible]

SCHEDULE F
(Form 990)

Department of the Treasury
Internal Revenue Service

Statement of Activities Outside the United States

► Complete if the organization answered "Yes" to Form 990,
Part IV, line 14b, 15, or 16.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule F (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I

General Information on Activities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 14b.

- 1 For grantmakers. Does the organization maintain records to substantiate the amount of its grants and other assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance? ☐ Yes ☐ No
- 2 For grantmakers. Describe in Part V the organization's procedures for monitoring the use of its grants and other assistance outside the United States.
- 3 Activites per Region (The following Part I, line 3 table can be duplicated if additional space is needed)

(a) Region	(b) Number of offices in the region	(c) Number of employees, agents, and independent contractors in region	(d) Activities conducted in region (by type) (e g , fundraising, program services, investments, grants to recipients located in the region)	(e) If activity listed in (d) is a program service, describe specific type of service(s) in region	(f) Total expenditures for and investments in region
(1) Central America and the Caribbean			Investments		60,000
(2) Central America and the Caribbean			CAPTIVE INSURANCE	Insurance Premiums/Exp	11,602,926
(3)					
(4)					
(5)					
3a Sub-total					11,662,926
b Total from continuation sheets to Part I					
c Totals (add lines 3a and 3b)					11,662,926

Part II

Grants and Other Assistance to Organizations or Entities Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 15, for any recipient who received more than \$5,000. Part II can be duplicated if additional space is needed.

1	(a) Name of organization	(b) IRS code section and EIN (if applicable)	(c) Region	(d) Purpose of grant	(e) Amount of cash grant	(f) Manner of cash disbursement	(g) Amount of non-cash assistance	(h) Description of non-cash assistance	(i) Method of valuation (book, FMV, appraisal, other)
(1)									
(2)									
(3)									
(4)									

- 2 Enter total number of recipient organizations listed above that are recognized as charities by the foreign country, recognized as tax-exempt by the IRS, or for which the grantee or counsel has provided a section 501(c)(3) equivalency letter ▶
- 3 Enter total number of other organizations or entities ▶

Part III

Grants and Other Assistance to Individuals Outside the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 16.
Part III can be duplicated if additional space is needed.

(a) Type of grant or assistance	(b) Region	(c) Number of recipients	(d) Amount of cash grant	(e) Manner of cash disbursement	(f) Amount of non-cash assistance	(g) Description of non-cash assistance	(h) Method of valuation (book, FMV, appraisal, other)
(1)							
(2)							
(3)							
(4)							
(5)							
(6)							
(7)							
(8)							
(9)							
(10)							
(11)							
(12)							
(13)							
(14)							
(15)							
(16)							
(17)							
(18)							

Part IV Foreign Forms

- 1

Was the organization a U S transferor of property to a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 926, Return by a U.S. Transferor of Property to a Foreign Corporation (see Instructions for Form 926)*

☒ Yes ☐ No
- 2

Did the organization have an interest in a foreign trust during the tax year? *If "Yes," the organization may be required to file Form 3520, Annual Return to Report Transactions with Foreign Trusts and Receipt of Certain Foreign Gifts, and/or Form 3520-A, Annual Information Return of Foreign Trust With a U.S. Owner (see Instructions for Forms 3520 and 3520-A)*

☐ Yes ☒ No
- 3

Did the organization have an ownership interest in a foreign corporation during the tax year? *If "Yes," the organization may be required to file Form 5471, Information Return of U.S. Persons with Respect to Certain Foreign Corporations. (see Instructions for Form 5471)*

☒ Yes ☐ No
- 4

Was the organization a direct or indirect shareholder of a passive foreign investment company or a qualified electing fund during the tax year? *If "Yes," the organization may be required to file Form 8621, Information Return by a Shareholder of a Passive Foreign Investment Company or Qualified Electing Fund. (see Instructions for Form 8621)*

☐ Yes ☒ No
- 5

Did the organization have an ownership interest in a foreign partnership during the tax year? *If "Yes," the organization may be required to file Form 8865, Return of U.S. Persons with Respect to Certain Foreign Partnerships. (see Instructions for Form 8865)*

☐ Yes ☒ No
- 6

Did the organization have any operations in or related to any boycotting countries during the tax year? *If "Yes," the organization may be required to file Form 5713, International Boycott Report (see Instructions for Form 5713).*

☐ Yes ☒ No

Additional Data

Software ID:

Software Version:

EIN: 56-6017737

Name: WakeMed

Part V **Supplemental Information**

Provide the information required by Part I, line 2 (monitoring of funds); Part I, line 3, column (f) (accounting method; amounts of investments vs. expenditures per region); Part II, line 1 (accounting method); Part III (accounting method); and Part III, column (c) (estimated number of recipients), as applicable. Also complete this part to provide any additional information (see instructions).

SCHEDULE H
(Form 990)

Department of the Treasury
Internal Revenue Service

Hospitals

► Complete if the organization answered "Yes" to Form 990, Part IV, question 20.
► Attach to Form 990. ► See separate instructions.
► Information about Schedule H (Form 990) and its instructions is at *www.irs.gov/form990*.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I

Financial Assistance and Certain Other Community Benefits at Cost

		Yes	No
1a	Did the organization have a financial assistance policy during the tax year? If "No," skip to question 6a	1a Yes	
b	If "Yes," was it a written policy?	1b Yes	
2	If the organization had multiple hospital facilities, indicate which of the following best describes application of the financial assistance policy to its various hospital facilities during the tax year <input checked="" type="checkbox"/> Applied uniformly to all hospital facilities <input type="checkbox"/> Applied uniformly to most hospital facilities <input type="checkbox"/> Generally tailored to individual hospital facilities		
3	Answer the following based on the financial assistance eligibility criteria that applied to the largest number of the organization's patients during the tax year a Did the organization use Federal Poverty Guidelines (FPG) as a factor in determining eligibility for providing <i>free</i> care? If "Yes," indicate which of the following was the FPG family income limit for eligibility for <i>free</i> care <input type="checkbox"/> 100% <input type="checkbox"/> 150% <input type="checkbox"/> 200% <input checked="" type="checkbox"/> Other _____ 250 %	3a Yes	
b	Did the organization use FPG as a factor in determining eligibility for providing <i>discounted</i> care? If "Yes," indicate which of the following was the family income limit for eligibility for discounted care <input type="checkbox"/> 200% <input type="checkbox"/> 250% <input type="checkbox"/> 300% <input type="checkbox"/> 350% <input type="checkbox"/> 400% <input type="checkbox"/> Other _____ %	3b	No
c	If the organization used factors other than FPG in determining eligibility, describe in Part VI the income based criteria for determining eligibility for free or discounted care. Include in the description whether the organization used an asset test or other threshold, regardless of income, as a factor in determining eligibility for free or discounted care		
4	Did the organization's financial assistance policy that applied to the largest number of its patients during the tax year provide for free or discounted care to the "medically indigent"?	4 Yes	
5a	Did the organization budget amounts for free or discounted care provided under its financial assistance policy during the tax year?	5a Yes	
b	If "Yes," did the organization's financial assistance expenses exceed the budgeted amount?	5b Yes	
c	If "Yes" to line 5b, as a result of budget considerations, was the organization unable to provide free or discounted care to a patient who was eligible for free or discounted care?	5c	No
6a	Did the organization prepare a community benefit report during the tax year?	6a	No
b	If "Yes," did the organization make it available to the public?	6b	
Complete the following table using the worksheets provided in the Schedule H instructions. Do not submit these worksheets with the Schedule H.			

7

Financial Assistance and Certain Other Community Benefits at Cost

Financial Assistance and Means-Tested Government Programs	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community benefit expense	(d) Direct offsetting revenue	(e) Net community benefit expense	(f) Percent of total expense
a Financial Assistance at cost (from Worksheet 1)			79,724,737		79,724,737	7 710 %
b Medicaid (from Worksheet 3, column a)			149,152,623	123,136,912	26,015,711	2 520 %
c Costs of other means-tested government programs (from Worksheet 3, column b) . .			1,447,686	1,241,616	206,070	0 020 %
d Total Financial Assistance and Means-Tested Government Programs . .			230,325,046	124,378,528	105,946,518	10 250 %
Other Benefits						
e Community health improvement services and community benefit operations (from Worksheet 4)			5,862,954	324,481	5,538,473	0 540 %
f Health professions education (from Worksheet 5)			10,274,156	8,211,260	2,062,896	0 200 %
g Subsidized health services (from Worksheet 6)						
h Research (from Worksheet 7)						
i Cash and in-kind contributions for community benefit (from Worksheet 8)			582,722		582,722	0 060 %
j Total Other Benefits			16,719,832	8,535,741	8,184,091	0 800 %
k Total. Add lines 7d and 7j . .			247,044,878	132,914,269	114,130,609	11 050 %

Part IICommunity Building Activities

Complete this table if the organization conducted any community building activities during the tax year, and describe in Part VI how its community building activities promoted the health of the communities it serves.

	(a) Number of activities or programs (optional)	(b) Persons served (optional)	(c) Total community building expense	(d) Direct offsetting revenue	(e) Net community building expense	(f) Percent of total expense
1Physical improvements and housing						
2Economic development			147,236		147,236	0 %
3Community support			546,414		546,414	0 %
4Environmental improvements						
5Leadership development and training for community members						
6Coalition building						
7Community health improvement advocacy			15,506		15,506	0 %
8Workforce development			1,292,997	52,000	1,240,997	0 010 %
9Other						
10Total			2,002,153	52,000	1,950,153	0 010 %

Part IIIBad Debt, Medicare, & Collection Practices

Section A. Bad Debt Expense

1Did the organization report bad debt expense in accordance with Heathcare Financial Management Association Statement No. 15?

1Yes

Yes

2Enter the amount of the organization's bad debt expense. Explain in Part VI the methodology used by the organization to estimate this amount.

215,979,330

3Enter the estimated amount of the organization's bad debt expense attributable to patients eligible under the organization's financial assistance policy. Explain in Part VI the methodology used by the organization to estimate this amount and the rationale, if any, for including this portion of bad debt as community benefit.

30

4Provide in Part VI the text of the footnote to the organization's financial statements that describes bad debt expense or the page number on which this footnote is contained in the attached financial statements.

Section B. Medicare

5Enter total revenue received from Medicare (including DSH and IME).

5213,659,797

6Enter Medicare allowable costs of care relating to payments on line 5.

6226,240,890

7Subtract line 6 from line 5. This is the surplus (or shortfall).

7-12,581,093

8Describe in Part VI the extent to which any shortfall reported in line 7 should be treated as community benefit. Also describe in Part VI the costing methodology or source used to determine the amount reported on line 6. Check the box that describes the method used.

☐ Cost accounting system

☐ Cost to charge ratio

☒ Other

Section C. Collection Practices

9aDid the organization have a written debt collection policy during the tax year?

9aYes

Yes

bIf "Yes," did the organization's collection policy that applied to the largest number of its patients during the tax year contain provisions on the collection practices to be followed for patients who are known to qualify for financial assistance? Describe in Part VI.

9bYes

Yes

Part IVManagement Companies and Joint Ventures

(owned 10% or more by officers, directors, trustees, key employees, and physicians—see instructions)

(a) Name of entity	(b) Description of primary activity of entity	(c) Organization's profit % or stock ownership %	(d) Officers, directors, trustees, or key employees' profit % or stock ownership %	(e) Physicians' profit % or stock ownership %
1CAP CITY SURGERY CTR	HEALTHCARE	50 000 %	0 %	17 070 %
2				
3				
4				
5				
6				
7				
8				
9				
10				
11				
12				
13				

Part V

Facility Information

Section A. Hospital Facilities

(list in order of size from largest to smallest—see instructions)
How many hospital facilities did the organization operate during the tax year?
2

Name, address, primary website address, and state license number

												Other (Describe)	Facility reporting group
	See Additional Data Table												

Part V Facility Information (continued)

Section B. Facility Policies and Practices

(Complete a separate Section B for each of the hospital facilities or facility reporting groups listed in Part V, Section A)

Name of hospital facility or facility reporting group

If reporting on Part V, Section B for a single hospital facility only: line number of hospital facility (from Schedule H, Part V, Section A)

	Yes	No
Community Health Needs Assessment (Lines 1 through 8c are optional for tax years beginning on or before March 23, 2012)		
1 During the tax year or either of the two immediately preceding tax years, did the hospital facility conduct a community health needs assessment (CHNA)? If "No," skip to line 9 If "Yes," indicate what the CHNA report describes (check all that apply)	1 Yes	
a <input checked="" type="checkbox"/> A definition of the community served by the hospital facility		
b <input checked="" type="checkbox"/> Demographics of the community		
c <input checked="" type="checkbox"/> Existing health care facilities and resources within the community that are available to respond to the health needs of the community		
d <input checked="" type="checkbox"/> How data was obtained		
e <input checked="" type="checkbox"/> The health needs of the community		
f <input checked="" type="checkbox"/> Primary and chronic disease needs and other health issues of uninsured persons, low-income persons, and minority groups		
g <input checked="" type="checkbox"/> The process for identifying and prioritizing community health needs and services to meet the community health needs		
h <input checked="" type="checkbox"/> The process for consulting with persons representing the community's interests		
i <input type="checkbox"/> Information gaps that limit the hospital facility's ability to assess the community's health needs		
j <input type="checkbox"/> Other (describe in Part VI)		
2 Indicate the tax year the hospital facility last conducted a CHNA 20 <u>13</u>		
3 In conducting its most recent CHNA, did the hospital facility take into account input from persons who represent the broad interests of the community served by the hospital facility, including those with special knowledge of or expertise in public health? If "Yes," describe in Part VI how the hospital facility took into account input from persons who represent the community, and identify the persons the hospital facility consulted	3 Yes	
4 Was the hospital facility's CHNA conducted with one or more other hospital facilities? If "Yes," list the other hospital facilities in Part VI	4 Yes	
5 Did the hospital facility make its CHNA report widely available to the public? If "Yes," indicate how the CHNA report was made widely available (check all that apply)	5 Yes	
a <input checked="" type="checkbox"/> Hospital facility's website (list url) _____		
b <input type="checkbox"/> Other website (list url) _____		
c <input checked="" type="checkbox"/> Available upon request from the hospital facility		
d <input type="checkbox"/> Other (describe in Part VI)		
6 If the hospital facility addressed needs identified in its most recently conducted CHNA, indicate how (check all that apply as of the end of the tax year)		
a <input checked="" type="checkbox"/> Adoption of an implementation strategy that addresses each of the community health needs identified through the CHNA		
b <input checked="" type="checkbox"/> Execution of the implementation strategy		
c <input type="checkbox"/> Participation in the development of a community-wide plan		
d <input type="checkbox"/> Participation in the execution of a community-wide plan		
e <input checked="" type="checkbox"/> Inclusion of a community benefit section in operational plans		
f <input checked="" type="checkbox"/> Adoption of a budget for provision of services that address the needs identified in the CHNA		
g <input checked="" type="checkbox"/> Prioritization of health needs in its community		
h <input checked="" type="checkbox"/> Prioritization of services that the hospital facility will undertake to meet health needs in its community		
i <input type="checkbox"/> Other (describe in Part VI)		
7 Did the hospital facility address all of the needs identified in its most recently conducted CHNA? If "No," explain in Part VI which needs it has not addressed and the reasons why it has not addressed such needs	7 Yes	
8a Did the organization incur an excise tax under section 4959 for the hospital facility's failure to conduct a CHNA as required by section 501(r)(3)?	8a	No
b If "Yes" to line 8a, did the organization file Form 4720 to report the section 4959 excise tax?	8b	
c If "Yes" to line 8b, what is the total amount of section 4959 excise tax the organization reported on Form 4720 for all of its hospital facilities? \$ _____		

Part V

Facility Information *(continued)*

Financial Assistance Policy		Yes	No
9	Did the hospital facility have in place during the tax year a written financial assistance policy that Explained eligibility criteria for financial assistance, and whether such assistance includes free or discounted care?	9 Yes	
10	Used federal poverty guidelines (FPG) to determine eligibility for providing <i>free</i> care? If "Yes," indicate the FPG family income limit for eligibility for free care <u>250</u> % If "No," explain in Part VI the criteria the hospital facility used	10 Yes	
11	Used FPG to determine eligibility for providing <i>discounted</i> care? If "Yes," indicate the FPG family income limit for eligibility for discounted care <u>250</u> % If "No," explain in Part VI the criteria the hospital facility used	11 Yes	
12	Explained the basis for calculating amounts charged to patients? If "Yes," indicate the factors used in determining such amounts (check all that apply)	12 Yes	
a	<input checked="" type="checkbox"/> Income level		
b	<input type="checkbox"/> Asset level		
c	<input checked="" type="checkbox"/> Medical indigency		
d	<input checked="" type="checkbox"/> Insurance status		
e	<input checked="" type="checkbox"/> Uninsured discount		
f	<input checked="" type="checkbox"/> Medicaid/Medicare		
g	<input checked="" type="checkbox"/> State regulation		
h	<input checked="" type="checkbox"/> Residency		
i	<input type="checkbox"/> Other (describe in Part VI)		
13	Explained the method for applying for financial assistance?	13 Yes	
14	Included measures to publicize the policy within the community served by the hospital facility? If "Yes," indicate how the hospital facility publicized the policy (check all that apply)	14 Yes	
a	<input checked="" type="checkbox"/> The policy was posted on the hospital facility's website		
b	<input checked="" type="checkbox"/> The policy was attached to billing invoices		
c	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's emergency rooms or waiting rooms		
d	<input checked="" type="checkbox"/> The policy was posted in the hospital facility's admissions offices		
e	<input checked="" type="checkbox"/> The policy was provided, in writing, to patients on admission to the hospital facility		
f	<input checked="" type="checkbox"/> The policy was available upon request		
g	<input type="checkbox"/> Other (describe in Part VI)		
Billing and Collections			
15	Did the hospital facility have in place during the tax year a separate billing and collections policy, or a written financial assistance policy (FAP) that explained actions the hospital facility may take upon non-payment?	15 Yes	
16	Check all of the following actions against an individual that were permitted under the hospital facility's policies during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP		
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		
17	Did the hospital facility or an authorized third party perform any of the following actions during the tax year before making reasonable efforts to determine the individual's eligibility under the facility's FAP? If "Yes," check all actions in which the hospital facility or a third party engaged	17	No
a	<input type="checkbox"/> Reporting to credit agency		
b	<input type="checkbox"/> Lawsuits		
c	<input type="checkbox"/> Liens on residences		
d	<input type="checkbox"/> Body attachments		
e	<input type="checkbox"/> Other similar actions (describe in Section C)		

Part V

Facility Information *(continued)*

- 18** Indicate which efforts the hospital facility made before initiating any of the actions listed in line 17 (check all that apply)
- a** ☒ Notified individuals of the financial assistance policy on admission

b ☒ Notified individuals of the financial assistance policy prior to discharge

c ☒ Notified individuals of the financial assistance policy in communications with the individuals regarding the individuals' bills

d ☒ Documented its determination of whether individuals were eligible for financial assistance under the hospital facility's financial assistance policy

e ☐ Other (describe in Section C)

Policy Relating to Emergency Medical Care

		Yes	No
19	Did the hospital facility have in place during the tax year a written policy relating to emergency medical care that requires the hospital facility to provide, without discrimination, care for emergency medical conditions to individuals regardless of their eligibility under the hospital facility's financial assistance policy?	Yes	
If "No," indicate why			
a	<input type="checkbox"/> The hospital facility did not provide care for any emergency medical conditions		
b	<input type="checkbox"/> The hospital facility's policy was not in writing		
c	<input type="checkbox"/> The hospital facility limited who was eligible to receive care for emergency medical conditions (describe in Part VI)		
d	<input type="checkbox"/> Other (describe in Part VI)		

Charges to Individuals Eligible for Assistance under the FAP (FAP-Eligible Individuals)

20	Indicate how the hospital facility determined, during the tax year, the maximum amounts that can be charged to FAP-eligible individuals for emergency or other medically necessary care		
a	<input type="checkbox"/> The hospital facility used its lowest negotiated commercial insurance rate when calculating the maximum amounts that can be charged		
b	<input checked="" type="checkbox"/> The hospital facility used the average of its three lowest negotiated commercial insurance rates when calculating the maximum amounts that can be charged		
c	<input type="checkbox"/> The hospital facility used the Medicare rates when calculating the maximum amounts that can be charged		
d	<input checked="" type="checkbox"/> Other (describe in Part VI)		
21	During the tax year, did the hospital facility charge any FAP-eligible individual to whom the hospital facility provided emergency or other medically necessary services more than the amounts generally billed to individuals who had insurance covering such care?		No
If "Yes," explain in Part VI			
22	During the tax year, did the hospital facility charge any FAP-eligible individual an amount equal to the gross charge for any service provided to that individual?		No
If "Yes," explain in Part VI			

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.

[illegible]

Part V

Facility Information *(continued)*

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year? **19**

Name and address	Type of Facility (describe)
1 See Additional Data Table	
2	
3	
4	
5	
6	
7	
8	
9	
10	

Part VI

Supplemental Information

Provide the following information

- 1
- Required descriptions.** Provide the descriptions required for Part I, lines 3c, 6a, and 7, Part II and Part III, lines 2, 3, 4, 8 and 9b
- 2
- Needs assessment.** Describe how the organization assesses the health care needs of the communities it serves, in addition to any CHNAs reported in Part V, Section B
- 3
- Patient education of eligibility for assistance.** Describe how the organization informs and educates patients and persons who may be billed for patient care about their eligibility for assistance under federal, state, or local government programs or under the organization's financial assistance policy
- 4
- Community information.** Describe the community the organization serves, taking into account the geographic area and demographic constituents it serves
- 5
- Promotion of community health.** Provide any other information important to describing how the organization's hospital facilities or other health care facilities further its exempt purpose by promoting the health of the community (e g , open medical staff, community board, use of surplus funds, etc)
- 6
- Affiliated health care system.** If the organization is part of an affiliated health care system, describe the respective roles of the organization and its affiliates in promoting the health of the communities served
- 7
- State filing of community benefit report.** If applicable, identify all states with which the organization, or a related organization, files a community benefit report

990 Schedule H, Supplemental Information

Form and Line Reference	Explanation
Line 1	

Additional Data

Software ID:
Software Version:
EIN: 56-6017737
Name: WakeMed

990 Schedule H, Supplemental Information

Section C. Supplemental Information for Part V, Section B. Provide descriptions required for Part V, Section B, lines 1j, 3, 4, 5d, 6i, 7, 10, 11, 12i, 14g, 16e, 17e, 18e, 19c, 19d, 20d, 21, and 22. If applicable, provide separate descriptions for each facility in a facility reporting group, designated by "Facility A," "Facility B," etc.	
Form and Line Reference	Explanation
All answers provided in Part V, Section B & C pertain to Facility Group A	

Form 990 Schedule H, Part V Section D. Other Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

Name and address	Type of Facility (describe)
Wake Specialty Physicians LLC 3024 New Bern Avenue Raleigh, NC 27610	Medical Practice
WAKEMED NORTH HEALTHPLEX 10000 Falls of The Neuse Rd Raleigh, NC 27614	Medical Practice
Wake Faculty Physicians LLC 3024 New Bern Avenue Raleigh, NC 27610	Medical Practice
WakeMed Rehab Hospital 3000 New Bern Avenue Raleigh, NC 27610	Medical Practice
WakeMed Garner Healthplex 400 US 70 EAST Garner, NC 27529	Medical Practice
WakeMed Apex Healthplex 120 Healthplex Way Apex, NC 27502	Medical Practice
WAKEMED BRIER CREEK HEALTHPLEX 8001 TW Alexander Drive Raleigh, NC 27617	Medical Practice
Wake Orthopedics LLC 3009 New Bern Avenue Raleigh, NC 27610	Medical Practice
WAKEMED MEDICAL PARK 23 Sunnybrook Road Raleigh, NC 27610	Medical Practice
WAKEMED CLAYTON MEDICAL PARK 555 MEDICAL PARK PLACE Clayton, NC 27520	Medical Practice
WAKEMED HOME HEALTH 2920 HIGHWOODS BLVD SUITE 200 Raleigh, NC 27604	Medical Practice
WakeMed Alexander YMCA 1603 Hillsborough Street Raleigh, NC 27605	Medical Practice
WakeMed Wake Forest Road OP Rehab Center 3701 Wake Forest Road Raleigh, NC 27609	Medical Practice
WakeMed Kraft Family YMCA 8921 HOLLY SPRINGS ROAD Apex, NC 27539	Medical Practice
WAKEMED ZEBULON OP & SKILLED NURS FAC 535 W Gannon Avenue Zebulon, NC 27597	Medical Practice

Section D. Other Health Care Facilities That Are Not Licensed, Registered, or Similarly Recognized as a Hospital Facility
(list in order of size, from largest to smallest)

How many non-hospital health care facilities did the organization operate during the tax year?

Name and address	Type of Facility (describe)
WAKEMED CARY FAMILY YMCA 101 YMCA Drive Cary, NC 27513	Medical Practice
WakeMed Kerr Family YMCA 2500 Wakefield Pines Drive Raleigh, NC 27614	Medical Practice
WakeMed Fuquay-Varina Outpatient 400 Ransom Street FuquayVarina, NC 27526	Medical Practice
PARTNERS IN PRACTICE LLC 3000 New Bern Avenue Raleigh, NC 27610	Medical Practice

Schedule I
(Form 990)

Department of the Treasury
Internal Revenue Service
Name of the organization
WakeMed

Grants and Other Assistance to Organizations,
Governments and Individuals in the United States

Complete if the organization answered "Yes," to Form 990, Part IV, line 21 or 22.
▶ Attach to Form 990

▶ Information about Schedule I (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public
Inspection

Employer identification number

56-6017737

Part I

General Information on Grants and Assistance

1

Does the organization maintain records to substantiate the amount of the grants or assistance, the grantees' eligibility for the grants or assistance, and the selection criteria used to award the grants or assistance?

☒ Yes ☐ No

2

Describe in Part IV the organization's procedures for monitoring the use of grant funds in the United States

Part II

Grants and Other Assistance to Governments and Organizations in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 21, for any recipient that received more than \$5,000. Part II can be duplicated if additional space is needed.

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
See Additional Data Table							

2

Enter total number of section 501(c)(3) and government organizations listed in the line 1 table

13

3

Enter total number of other organizations listed in the line 1 table

2

Part III

Grants and Other Assistance to Individuals in the United States. Complete if the organization answered "Yes" to Form 990, Part IV, line 22.
Part III can be duplicated if additional space is needed.

(a)Type of grant or assistance	(b)Number of recipients	(c)Amount of cash grant	(d)Amount of non-cash assistance	(e)Method of valuation (book, FMV, appraisal, other)	(f)Description of non-cash assistance
(1) Prescription Drugs	6273		98,494	FMV	RX-INDIGENT PATIENTS

Part IV

Supplemental Information. Provide the information required in Part I, line 2, Part III, column (b), and any other additional information.

Return Reference	Explanation
PROCEDURES FOR MONITORING THE USE OF GRANT FUNDS	SCHEDULE I, PART I, LINE 2 ALL GRANT/FUNDING REQUESTS MUST BE MADE IN WRITING, AND FREQUENTLY MEETINGS ARE HELD WITH REQUESTING ORGANIZATIONS TO ENSURE THE REQUESTS ARE IN ACCORDANCE WITH OUR GOALS AND GUIDELINES RELATED TO DONATIONS AND SPONSORSHIPS ALL DONATIONS ARE COORDINATED THROUGH ONE DEPARTMENT AND ARE TRACKED AND LOGGED ON A SPREADSHEET WITH A QUICK REFERENCE TO THE REASON FOR THE GIFT WAKEMED ALSO KEEPS A FILE ON EACH ORGANIZATION AND ALL ASSOCIATED PAPERWORK IN MOST CASES, WAKEMED ALSO TRACKS HOW THE GIFT IS USED, OUTCOMES, AND BENEFITS TO THE COMMUNITY IN THE CASE OF LARGE GRANTS, THE ORGANIZATION IS ALSO ASKED FOR A REPORT OF THE RESULTS AND THE IMPACT

Additional Data

Software ID:
Software Version:
EIN: 56-6017737
Name: WakeMed

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
American Heart Association 4217 Park Place Ct Glen Allen, VA 23060	13-5613797	501(c)(3)	15,000	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Wake County Medical Society 220 Horizon Dr Ste 201 Raleigh, NC 27615	56-2205175	501(c)(3)	12,500	0			medical care

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Cary Visual Art PO Box 4322 Cary, NC 27519	56-2023686	501(c)(3)	9,432	0			general support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Interfaith Food Shuttle 1001 Blair Drive Raleigh, NC 27620	56-1753180	501(c)(3)	5,000	11,489	FMV	Food	general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Interact 1012 Oberlin Rd Ste 100 Raleigh, NC 27605	58-1320613	501(c)(3)	103,500	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Marbles Kids Museum 201 E Hargett Street Raleigh, NC 27601	58-1647538	501(c)(3)	20,000	0			general support

Form 990,Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NC Physicians Health Program 220 Horizon Drive Raleigh, NC 27615	56-1846599	501(c)(3)	13,200	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
NC Museum of Art 2110 Blue Ridge Road Raleigh, NC 27607	23-7071511	501(c)(3)	10,000	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Wake Early College 2901 Holston Lane Raleigh, NC 27610		GOV'T	5,470	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Wake Tech College Foundation 9101 Fayetteville Road Raleigh, NC 27603	23-7017752	501(c)(3)	100,000	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV , appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
YMCA of the Triangle - AHA 801 Corporate Drive Raleigh, NC 27606	56-0591307	501(c)(3)	15,000	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Wake Co Human Services PO Box 46833 Raleigh, NC 27620	56-6000376	GOV'T	482,290	0			general support

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Alliance Medical Ministry 101 Donald Ross Drive Raleigh, NC 27610	56-2168673	501(c)(3)	374,625	0			medical care

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Paired Health 8310 Bandford Way Raleigh, NC 27615	46-4497775		331,893				Medical Care

Form 990, Schedule I, Part II, Grants and Other Assistance to Governments and Organizations in the United States

(a) Name and address of organization or government	(b) EIN	(c) IRC Code section if applicable	(d) Amount of cash grant	(e) Amount of non-cash assistance	(f) Method of valuation (book, FMV, appraisal, other)	(g) Description of non-cash assistance	(h) Purpose of grant or assistance
Debnam Clinic 1501 Poole Road Raleigh, NC 27610	56-1977593		180,000				Medical Care

Schedule J
(Form 990)

Department of the Treasury
Internal Revenue Service

Compensation Information

For certain Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 23.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule J (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I

Questions Regarding Compensation

	Yes	No
<div><div>1a</div><div>Check the appropriate box(es) if the organization provided any of the following to or for a person listed in Form 990, Part VII, Section A, line 1a Complete Part III to provide any relevant information regarding these items</div><div><div><div><input type="checkbox"/> First-class or charter travel</div><div><input type="checkbox"/> Travel for companions</div><div><input checked="" type="checkbox"/> Tax idemnification and gross-up payments</div><div><input type="checkbox"/> Discretionary spending account</div></div><div><div><input type="checkbox"/> Housing allowance or residence for personal use</div><div><input type="checkbox"/> Payments for business use of personal residence</div><div><input type="checkbox"/> Health or social club dues or initiation fees</div><div><input type="checkbox"/> Personal services (e g , maid, chauffeur, chef)</div></div></div></div>		
<div><div>b</div><div>If any of the boxes in line 1a are checked, did the organization follow a written policy regarding payment or reimbursement or provision of all of the expenses described above? If "No," complete Part III to explain</div></div>		No
<div><div>2</div><div>Did the organization require substantiation prior to reimbursing or allowing expenses incurred by all directors, trustees, officers, including the CEO/Executive Director, regarding the items checked in line 1a?</div></div>	Yes	
<div><div>3</div><div>Indicate which, if any, of the following the filing organization used to establish the compensation of the organization's CEO/Executive Director Check all that apply Do not check any boxes for methods used by a related organization to establish compensation of the CEO/Executive Director, but explain in Part III</div><div><div><div><input checked="" type="checkbox"/> Compensation committee</div><div><input checked="" type="checkbox"/> Independent compensation consultant</div><div><input type="checkbox"/> Form 990 of other organizations</div></div><div><div><input checked="" type="checkbox"/> Written employment contract</div><div><input checked="" type="checkbox"/> Compensation survey or study</div><div><input checked="" type="checkbox"/> Approval by the board or compensation committee</div></div></div></div>		
<div><div>4</div><div>During the year, did any person listed in Form 990, Part VII, Section A, line 1a with respect to the filing organization or a related organization</div></div>		
<div><div>a</div><div>Receive a severance payment or change-of-control payment?</div></div>	Yes	
<div><div>b</div><div>Participate in, or receive payment from, a supplemental nonqualified retirement plan?</div></div>	Yes	
<div><div>c</div><div>Participate in, or receive payment from, an equity-based compensation arrangement?</div></div> <div>If "Yes" to any of lines 4a-c, list the persons and provide the applicable amounts for each item in Part III</div>		No
<div><div></div><div>Only 501(c)(3) and 501(c)(4) organizations only must complete lines 5-9.</div></div>		
<div><div>5</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the revenues of</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 5a or 5b, describe in Part III</div>		No
<div><div>6</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization pay or accrue any compensation contingent on the net earnings of</div></div>		
<div><div>a</div><div>The organization?</div></div>		No
<div><div>b</div><div>Any related organization?</div></div> <div>If "Yes," to line 6a or 6b, describe in Part III</div>		No
<div><div>7</div><div>For persons listed in Form 990, Part VII, Section A, line 1a, did the organization provide any non-fixed payments not described in lines 5 and 6? If "Yes," describe in Part III</div></div>		No
<div><div>8</div><div>Were any amounts reported in Form 990, Part VII, paid or accrued pursuant to a contract that was subject to the initial contract exception described in Regulations section 53 4958-4(a)(3)? If "Yes," describe in Part III</div></div>		No
<div><div>9</div><div>If "Yes" to line 8, did the organization also follow the rebuttable presumption procedure described in Regulations section 53 4958-6(c)?</div></div>		

Part II **Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees.** Use duplicate copies if additional space is needed.

For each individual whose compensation must be reported in Schedule J, report compensation from the organization on row (i) and from related organizations, described in the instructions, on row (ii) Do not list any individuals that are not listed on Form 990, Part VII

Note. The sum of columns (B)(i)-(iii) for each listed individual must equal the total amount of Form 990, Part VII, Section A, line 1a, applicable column (D) and (E) amounts for that individual

(A) Name and Title		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Retirement and other deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported as deferred in prior Form 990
		(i) Base compensation	(ii) Bonus & incentive compensation	(iii) Other reportable compensation				
See Additional Data Table								

Part III Supplemental Information

Provide the information, explanation, or descriptions required for Part I, lines 1a, 1b, 3, 4a, 4b, 4c, 5a, 5b, 6a, 6b, 7, and 8, and for Part II. Also complete this part for any additional information.

Return Reference	Explanation
SCHEDULE J, PART I, LINE 1A	Tax indemnification and gross-up payments are paid to some key employees. They are included in taxable income.
SCHEDULE J, PART I, LINE 1B	Key Employees' benefits requiring gross-up are covered by an employment agreement, and additional ones are approved by the Board of Directors.
SCHEDULE J, PART I, LINE 4A	Severance paid to William K. Atkinson, former CEO, \$336,801.
SCHEDULE J, PART I, LINE 4B	WAKEMED MAINTAINED A 457F PLAN FOR CERTAIN INDIVIDUALS, HOWEVER NO 457F CONTRIBUTION WAS MADE DURING THE FISCAL YEAR ENDING 9/30/2014. THE FOLLOWING INDIVIDUALS PARTICIPATED IN WAKEMED'S 457F PLAN DURING THE FISCAL YEAR ENDING 9/30/2014: WILLIAM K. ATKINSON \$0, MICHAEL D. DEVAUGHN \$0, THOMAS GETTINGER \$0, ROYLYN JOHNSON \$0, DONALD R. GINTZIG \$0, KATHLEEN K. GORMLEY \$0, DAVID C. COULTER \$0, JEANENE R. MARTIN \$0, E. DENTON ARLEDGE \$0, THOMAS G. CAVENDER \$0, CAROLYN KNAUP \$0, BETSY GASKINS-MCCLAIN \$0, CYNTHIA ALNESS-BOILEY \$0, VICKI BLOCK \$0, DUDLEY HARRINGTON \$0, GEORGIA C. HARRINGTON \$0, GURVINDER S. DEOL \$0, JONATHAN D. CHAPPELL \$0, MARK L. WOOD \$0, OKECHUKWU E. NWOKO \$0, MARC T. SILVER \$0.

Additional Data

Software ID:
Software Version:
EIN: 56-6017737
Name: WakeMed

Form 990, Schedule J, Part II - Officers, Directors, Trustees, Key Employees, and Highest Compensated Employees

(A) Name		(B) Breakdown of W-2 and/or 1099-MISC compensation			(C) Deferred compensation	(D) Nontaxable benefits	(E) Total of columns (B)(i)-(D)	(F) Compensation reported in prior Form 990 or Form 990-EZ
		(i) Base Compensation	(ii) Bonus & incentive compensation	(iii) Other compensation				
WILLIAM K ATKINSON PHD CEO (UNTIL 10/1/2013)	(i) (ii)	770,010 0	240,783 0	443,405 0	15,863 0	18,867 0	1,488,928 0	336,566 0
MICHAEL D DEVAUGHN CFO, EXECUTIVE VP	(i) (ii)	431,308 0	20,000 0	19,493 0	8,058 0	9,527 0	488,386 0	0 0
THOMAS GETTINGER COO, EXECUTIVE VP	(i) (ii)	442,545 0	20,000 0	17,701 0	15,709 0	23,513 0	519,468 0	0 0
KATHLEEN K GORMLEY EXECUTIVE VP-OPER & AMBULATORY	(i) (ii)	458,595 0	20,000 0	18,645 0	15,734 0	13,989 0	526,963 0	0 0
DAVID C COULTER SENIOR VP-ADMINISTRATOR CARY	(i) (ii)	364,752 0	0 0	17,911 0	19,998 0	15,229 0	417,890 0	0 0
JEANENE R MARTIN SENIOR VP-HUMAN RESOURCES	(i) (ii)	274,813 0	0 0	16,250 0	15,539 0	15,871 0	322,473 0	0 0
E DENTON ARLEDGE VP & CIO	(i) (ii)	288,609 0	0 0	5,867 0	15,535 0	24,533 0	334,544 0	0 0
THOMAS G CAVENDER VP FACILITIES & CONTRUCTION	(i) (ii)	246,169 0	0 0	18,214 0	15,512 0	23,832 0	303,727 0	0 0
CAROLYN KNAUP SENIOR VP-AMBULATORY SERVICES	(i) (ii)	256,103 0	0 0	15,751 0	15,507 0	22,641 0	310,002 0	0 0
BETSY GASKINS-MCCLAIN VP HEART & VASCULAR	(i) (ii)	242,272 0	0 0	1,010 0	15,128 0	16,090 0	274,500 0	0 0
CYNTHIA ALNESS-BOILY SENIOR VP-OPERATIONS & CNO	(i) (ii)	306,787 0	0 0	20,978 0	15,586 0	20,098 0	363,449 0	0 0
VICKI BLOCK SR VP & ADMINISTRATOR RALEIGH	(i) (ii)	273,938 0	0 0	15,992 0	15,533 0	15,044 0	320,507 0	0 0
DUDLEY HARRINGTON VP REVENUE CYCLE	(i) (ii)	272,330 0	0 0	3,357 0	15,531 0	25,549 0	316,767 0	0 0
GEORGIA C HARRINGTON VP OPERATIONS	(i) (ii)	209,956 0	0 0	762 0	13,027 0	12,845 0	236,590 0	0 0
GURVINDER S DEOL PHYSICIAN	(i) (ii)	559,372 0	382,250 0	2,673 0	8,312 0	23,989 0	976,596 0	0 0
JONATHAN D CHAPPELL PHYSICIAN	(i) (ii)	553,217 0	243,030 0	604 0	8,184 0	15,483 0	820,518 0	0 0
MARK L WOOD PHYSICIAN	(i) (ii)	593,485 0	79,694 0	1,801 0	8,139 0	22,368 0	705,487 0	0 0
OKECHUKWU E NWOKO PHYSICIAN	(i) (ii)	231,902 0	562,780 0	449 0	7,880 0	8,189 0	811,200 0	0 0
MARC T SILVER PHYSICIAN	(i) (ii)	382,290 0	306,018 0	611 0	8,128 0	25,140 0	722,187 0	0 0

Schedule K
(Form 990)

Department of the Treasury
Internal Revenue Service

Supplemental Information on Tax Exempt Bonds

▶ Complete if the organization answered "Yes" to Form 990, Part IV, line 24a. Provide descriptions, explanations, and any additional information in Part VI.
▶ Attach to Form 990. ▶ See separate instructions.
▶ Information about Schedule K (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I

Bond Issues

	(a) Issuer name	(b) Issuer EIN	(c) CUSIP #	(d) Date issued	(e) Issue price	(f) Description of purpose	(g) Defeased		(h) On behalf of issuer		(i) Pool financing	
							Yes	No	Yes	No	Yes	No
A	North Carolina Medical Care Commission	52-1309402	65821DCS8	02-26-2009	75,000,000	See Part VI		X		X		X
B	North Carolina Medical Care Commission	52-1309402	65821DCW9	07-16-2009	81,780,000	See Part VI		X		X		X
C	North Carolina Medical Care Commission	52-1309402	65821DLY5	07-11-2012	315,717,962	See Part VI		X		X		X

Part II

Proceeds

		A		B		C		D	
1	Amount of bonds retired	0		14,965,000		11,590,000			
2	Amount of bonds legally defeased	0		0		0			
3	Total proceeds of issue	75,249,667		81,780,000		315,718,038			
4	Gross proceeds in reserve funds	0		0		0			
5	Capitalized interest from proceeds	0		0		0			
6	Proceeds in refunding escrows	0		0		172,556,427			
7	Issuance costs from proceeds	835,544		817,125		2,994,195			
8	Credit enhancement from proceeds	37,919		41,347		0			
9	Working capital expenditures from proceeds	0		0		0			
10	Capital expenditures from proceeds	74,376,204		0		0			
11	Other spent proceeds	0		80,921,528		140,167,509			
12	Other unspent proceeds	0		0		0			
13	Year of substantial completion	2010		2012		2012			
14	Were the bonds issued as part of a current refunding issue?	Yes	No	Yes	No	Yes	No	Yes	No
			X	X		X			
15	Were the bonds issued as part of an advance refunding issue?		X		X	X			
16	Has the final allocation of proceeds been made?	X		X		X			
17	Does the organization maintain adequate books and records to support the final allocation of proceeds?	X		X		X			

Part III

Private Business Use

		A		B		C		D	
1	Was the organization a partner in a partnership, or a member of an LLC, which owned property financed by tax-exempt bonds?	Yes	No	Yes	No	Yes	No	Yes	No
			X		X		X		
2	Are there any lease arrangements that may result in private business use of bond-financed property?		X		X	X			

Part III

Private Business Use (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
3a	Are there any management or service contracts that may result in private business use of bond-financed property?	X			X	X			
b	If "Yes" to line 3a, does the organization routinely engage bond counsel or other outside counsel to review any management or service contracts relating to the financed property?	X				X			
c	Are there any research agreements that may result in private business use of bond-financed property?		X		X		X		
d	If "Yes" to line 3c, does the organization routinely engage bond counsel or other outside counsel to review any research agreements relating to the financed property?								
4	Enter the percentage of financed property used in a private business use by entities other than a section 501(c)(3) organization or a state or local government	0 %		0 %		0 %			
5	Enter the percentage of financed property used in a private business use as a result of unrelated trade or business activity carried on by your organization, another section 501(c)(3) organization, or a state or local government	0 %		0 %		0 %			
6	Total of lines 4 and 5	0 %		0 %		0 %			
7	Does the bond issue meet the private security or payment test?		X		X		X		
8a	Has there been a sale or disposition of any of the bond financed property to a nongovernmental person other than a 501(c)(3) organization since the bonds were issued?		X		X		X		
b	If "Yes" to line 8a, enter the percentage of bond-financed property sold or disposed of	0 %		0 %		0 %			
c	If "Yes" to line 8a, was any remedial action taken pursuant to Regulations sections 1.141-12 and 1.145-2?		X		X		X		
9	Has the organization established written procedures to ensure that all nonqualified bonds of the issue are remediated in accordance with the requirements under Regulations sections 1.141-12 and 1.145-2?	X		X		X			

Part IV

Arbitrage

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
1	Has the issuer filed Form 8038-T?		X		X		X		
2	If "No" to line 1, did the following apply?								
a	Rebate not due yet?		X		X	X			
b	Exception to rebate?		X		X		X		
c	No rebate due?	X		X			X		
	If you checked "No rebate due" in line 2c, provide in Part VI the date the rebate computation was performed								
3	Is the bond issue a variable rate issue?	X		X			X		
4a	Has the organization or the governmental issuer entered into a qualified hedge with respect to the bond issue?		X		X		X		
b	Name of provider	0		0		0			
c	Term of hedge								
d	Was the hedge superintegrated?								
e	Was the hedge terminated?								

Part IV

Arbitrage (Continued)

		A		B		C		D	
		Yes	No	Yes	No	Yes	No	Yes	No
5a	Were gross proceeds invested in a guaranteed investment contract (GIC)?		X		X		X		
b	Name of provider	0		0		0			
c	Term of GIC								
d	Was the regulatory safe harbor for establishing the fair market value of the GIC satisfied?								
6	Were any gross proceeds invested beyond an available temporary period?		X		X		X		
7	Has the organization established written procedures to monitor the requirements of section 148?	X		X		X			

Part V

Procedures To Undertake Corrective Action

	A		B		C		D	
	Yes	No	Yes	No	Yes	No	Yes	No
	X		X		X			

Part VI

Supplemental Information. Provide additional information for responses to questions on Schedule K (see instructions).

Return Reference	Explanation
PURPOSE	Schedule K, Part I, A(f) Financing (a) costs of construction, renovating and equipping certain hospital facilities, including WakeMed Cary 2-story vertical expansion, 10-bed Labor and Delivery unit expansion and parking deck, WakeMed Raleigh 4-story patient tower, parking deck for visitors and patients, employee parking deck, portions of Rehabilitation Hospital for inpatient beds, the first floor of the main hospital for a 25-bed observation unit and related, and other equipment, (b) initial costs for credit facility for the bonds, and (c) issuance costs

Return Reference	Explanation
PURPOSE	SCHEDULE K, PART I, B(f) Financing (a) costs of currently refunding all outstanding series 1997 bonds issued April 1, 1997 The series 1997 bonds were issued to refund all of series 1993 and 1988 bonds, which were issued to finance costs of constructing, expanding, renovating, and equipping certain hospital facilities, including construction of WakeMed Cary Hospital, a 2-story addition of the WakeMed main campus, a 45-bed Rehabilitation Hospital and related, and other equipment, and (b) issuance costs

Return Reference	Explanation
PURPOSE	Schedule K, Part I, C(f) The series 2012A bonds were issued to refund all the series 2001 and the 2009A bonds and pay certain expenses incurred in the connection with the issuance and sale of the 2012A bonds The proceeds of the refunded 2001 bonds and the refunded 2009A bonds were used to finance the costs of various improvements to the corporation's healthcare facilities The date of issue for the refunded 2001 bonds is 3/15/2001 and date of issue for the refunded 2009A bonds is 2/10/2009

Return Reference	Explanation
Total proceeds of issue	Schedule K, Part II, 3, Columns A, B, & C Total proceeds include investment earnings

Return Reference	Explanation
Issuance Costs from proceeds	Schedule K, Part II, Line 7, Columns A, B, & C The amounts reported on Form 8038 as proceeds used for bond issuance costs were estimates The amounts reported on Schedule K represent the actual use of proceeds Schedule K credit enhancement reported was from the initial letter of credit fee paid from bond proceeds This amount was unknown at the time of the Form 8038 preparation

Return Reference	Explanation
Capital expenditures from proceeds	Schedule K, Part II, Line 10, Column A Bond series 2009B generated \$ 249,667 in interest

Return Reference	Explanation
Arbitrage rebate	Schedule K, Part IV, 2c Arbitrage rebate calculation performed on 2/25/2014 for A, 7/15/2014 for B, next scheduled calculation date for C is 10/1/2017

efile GRAPHIC print - DO NOT PROCESS		As Filed Data -		DLN: 93493225015025	
SCHEDULE O (Form 990 or 990-EZ) Department of the Treasury Internal Revenue Service	Supplemental Information to Form 990 or 990-EZ Complete to provide information for responses to specific questions on Form 990 or to provide any additional information. ▶ Attach to Form 990 or 990-EZ. ▶ Information about Schedule O (Form 990 or 990-EZ) and its instructions is at www.irs.gov/form990 .				OMB No 1545-0047
					2013 Open to Public Inspection
	Name of the organization WakeMed				Employer identification number 56-6017737

990 Schedule O, Supplemental Information

Return Reference	Explanation
DBA'S FOR WAKEMED	
OTHER PROGRAM SERVICES	FORM 990, PART III, LINE 4D OTHER PROGRAM SERVICES INCLUDE HOSPITAL IN AND OUTPATIENT ANCI LLARY CARE SERVICES IN OTHER SPECIALTY AREAS NOT LISTED ABOVE
MEMBERS, STOCKHOLDERS, OR OTHER PERSONS W/ POWER TO APPOINT GOVERNING BODY	FORM 990, PART VI, SECTION A, LINE 7A EIGHT MEMBERS OF THE BOARD ARE APPOINTED TO THE BOARD OF DIRECTORS BY WAKE COUNTY
GOVERNANCE DECISIONS RESERVED TO MEMBERS, STOCKHOLDERS, OR PERSONS OTHER	THAN THE GOVERNING BODY FORM 990, PART VI, SECTION A, LINE 7B THE WAKE COUNTY BOARD OF COM MISSIONERS HOLDS LIMITED APPROVAL OVER SOME GOVERNING BODY DECISIONS PERTAINING TO ARTICLE S V, VI, VII AND IX IN THE ARTICLES OF INCORPORATION THE TRANSFER AGREEMENT WITH WAKE COU NTY INDICATES APPROVAL/CONSENT FOR TRANSACTIONS PERTAINING TO SUBSTANTIAL DISPOSITION OF A SSETS AND COVENANTS ON LIENS
PROCESS USED BY THE ORGANIZATION TO REVIEW FORM 990	FORM 990, PART VI, SECTION B, LINE 11B THE ENTIRE 990 AND ASSOCIATED SCHEDULES ARE REVIEWE D BY THE FINANCE COMMITTEE OF THE BOARD OF DIRECTORS TO ACKNOWLEDGE THEY HAVE REVIEWED FOR MS AND SCHEDULES AND THEN RECOMMEND APPROVAL TO THE BOARD A FINAL COPY IS PROVIDED TO THE BOARD BEFORE FILING
MONITORING WRITTEN CONFLICT OF INTEREST POLICY	FORM 990, PART VI, SECTION B, LINE 12C THE ORGANIZATION MONITORS AND ENFORCES THE CONFLICT OF INTEREST POLICY IN VARIOUS WAYS EACH YEAR, MEMBERS OF THE BOARD, COMMITTEES WITH BOAR D DELEGATED POWERS, CEO, CORPORATE STAFF, EXECUTIVE STAFF, DIRECTORS AND MANAGERS ARE REQU IRED TO COMPLETE AND SUBMIT A CONFLICT OF INTEREST QUESTIONNAIRE THOSE INDIVIDUALS ARE RE QUIRED TO PROVIDE WRITTEN DOCUMENTATION OF ANY POTENTIAL CONFLICT OF INTEREST, IDENTIFYING MATERIAL FINANCIAL INTEREST/PERSONAL CONFLICTS OF INTEREST REMEDIAL MEASURES IMPLEMENTED TO ADDRESS CONFLICTS OF INTEREST INCLUDE ABSTENTION FROM VOTING ON CERTAIN ISSUES AS WELL AS RECUSAL FROM THE DECISION MAKING PROCESS AND PARTICIPATION INVOLVING THE IDENTIFIED IS SUE/AREA THE CODE OF CONDUCT PROVIDES GUIDANCE ON GIFTS AND TRAVEL GIFTS SHOULD NOT BE A CCEPTED AND PRIOR TO ANY TRAVEL/LODGING THAT IS PAID FOR BY A THIRD PARTY WRITTEN APPROVAL MUST BE OBTAINED FROM AN EXECUTIVE VICE PRESIDENT ALSO, EMPLOYEES WHO OWN OR WORK IN A P RIVATE BUSINESS OUTSIDE OF WAKEMED ARE NOT ALLOWED TO RECRUIT OR PROMOTE THEIR PRODUCTS AN D SERVICES DURING WORK HOURS OR THROUGH WAKEMED PRINTED MATERIALS
PROCESS FOR DETERMINING COMPENSATION OF CEO, EXEC DIR , OR TOP MGMT	OFFICIAL FORM 990, PART VI, SECTION B, LINES 15A & 15B REVIEW OF COMPENSATION IS PERFORMED BY AN INDEPENDENT FIRM EVERY THREE YEARS THEY PERFORM AN EXECUTIVE COMPETITIVE COMPENSAT ION REVIEW ON ALTERNATE YEARS THE SVP/HR PRESENTS MARKET DATA COMPARISONS TO A BOARD OF D IRECTOR'S COMMITTEE FOR REVIEW
AVAILABILITY OF FINANCIAL STMTS, CONFLICT OF INTEREST, ORGANIZING DOCS	FORM 990, PART VI, SECTION C, LINE 19 THE 990 IS AVAILABLE BY REQUEST AND IS PUBLISHED ON GUIDESTAR FINANCIAL STATEMENTS ARE PUBLICALLY AVAILABLE THROUGH THE MEDICAL CARE COMMISSI ON AS IT RELATES TO TAX EXEMPT DEBT THE ANNUAL AUDITED FINANCIAL STATEMENTS AND TRANSFER AGREEMENT ARE PROVIDED EACH YEAR TO WAKE COUNTY COMMISSIONERS AND BECOME PUBLIC INFORMATIO N ARTICLES OF INCORPORATION ARE AVAILABLE ON NC SECRETARY OF STATE WEBSITE
OTHER CHANGES IN NET ASSETS	FORM 990, PART XI, LINE 9 CHANGES IN NET ASSETS DURING THE YEAR INCLUDED CAPITAL ASSET REN OVATIONS TO THE NEONATAL ICU, THE EXPANSION OF THE NORTH HEALTHPLEX, CENTRAL PLANT IMPROVE MENTS, AND THE PURCHASE AND IMPLEMENTATION OF EPIC SY STEMS - \$27,028,703

SCHEDULE R
(Form 990)

Related Organizations and Unrelated Partnerships

▶ Complete if the organization answered "Yes" on Form 990, Part IV, line 33, 34, 35b, 36, or 37.
▶ Attach to Form 990. ▶ See separate instructions.

▶ Information about Schedule R (Form 990) and its instructions is at www.irs.gov/form990.

OMB No 1545-0047

2013

Open to Public Inspection

Department of the Treasury
Internal Revenue Service

Name of the organization
WakeMed

Employer identification number
56-6017737

Part I

Identification of Disregarded Entities

Complete if the organization answered "Yes" on Form 990, Part IV, line 33.

(a) Name, address, and EIN (if applicable) of disregarded entity	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Total income	(e) End-of-year assets	(f) Direct controlling entity
(1) WAKE ORTHOPAEDICS LLC 3009 New Bern Ave Raleigh, NC 27610 04-3750760	MED OFFICE	NC	10,240,350	0	na
(2) Cardiac Innovations LLC 3000 New Bern Ave Raleigh, NC 27610 26-0554927	EQUIP LEASING	NC	6,424	87,929	na
(3) Wake Specialty Physicians LLC 2009 New Bern Ave Raleigh, NC 27610 26-4169156	MED OFFICE	NC	69,953,999	14,543,054	na
(4) CSAMS New Bern Ave LLC 3000 New Bern Ave Raleigh, NC 27610	Healthcare	NC	0	778,218	na
(5) PARTNERS IN PRACTICE LLC 3000 NEW BERN AVE RALEIGH, NC 27610 27-1164650	MED OFFICE	NC			NA

Part II

Identification of Related Tax-Exempt Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related tax-exempt organizations during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Exempt Code section	(e) Public charity status (if section 501(c)(3))	(f) Direct controlling entity	(g) Section 512(b)(13) controlled entity?	
						Yes	No
(1) WakeMed Property Services 3000 New Bern Ave Raleigh, NC 27610 56-1133894	Leasing	NC	501(c)(3)	11b	na		No
(2) WakeMed Faculty Practice Plan 3000 New Bern Ave Raleigh, NC 27610 23-7169178	Medical	NC	501(c)(3)	11b	na		No
(3) The Volunteers at Cary Campus 3000 NEW BERN AVE Raleigh, NC 27610 56-1798031	Volunteers	NC	501(c)(3)	11b	na		No
(4) The Volunteers at Raleigh Campus 3000 New Bern Ave Raleigh, NC 27610 56-0749114	Volunteers	NC	501(c)(3)	11b	na		No
(5) WakeMed Foundation 3000 New Bern Ave Raleigh, NC 27610 56-1916549	Support	NC	501(c)(3)	7	na		No

Part III

Identification of Related Organizations Taxable as a Partnership

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a partnership during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Predominant income(related, unrelated, excluded from tax under sections 512- 514)	(f) Share of total income	(g) Share of end- of-year assets	(h) Disproportionate allocations?		(i) Code V-UBI amount in box 20 of Schedule K-1 (Form 1065)	(j) General or managing partner?		(k) Percentage ownership
							Yes	No		Yes	No	
(1) CAPITAL SURGERY CTR 26-0804803	Healthcare	NC	na	Related	5,875,291	4,692,776		No	0		No	50 000 %
(2) WakePet Services 26-3108205	Equipment leasing	NC	na	Related	196,963	58,982		No	0		No	50 000 %
(3) BabyCompany WakeMed 1345 Ave of the Americas23rd Fl New York, NY 10105 47-2167148	Healthcare	NY	NA	NONE	0	0		No	0		No	50 000 %

Part IV

Identification of Related Organizations Taxable as a Corporation or Trust

Complete if the organization answered "Yes" on Form 990, Part IV, line 34 because it had one or more related organizations treated as a corporation or trust during the tax year.

(a) Name, address, and EIN of related organization	(b) Primary activity	(c) Legal domicile (state or foreign country)	(d) Direct controlling entity	(e) Type of entity (C corp, S corp, or trust)	(f) Share of total income	(g) Share of end-of- year assets	(h) Percentage ownership	(i) Section 512 (b)(13) controlled entity?	
								Yes	No
(1) Dogwood Insurance Company (SPC) LTD PO Box 493 Century Yard Grand Cayman KY1-1106 CJ	Captive	CJ	na		0	41,923,021	100 000 %		No
(2) WakeMed Key Community Care LLC 3000 New Bern Avenue Raleigh, NC 27610 46-2853835	ACO	NC	na		0	299,139	100 000 %		No

Part V

Transactions With Related Organizations

Complete if the organization answered "Yes" on Form 990, Part IV, line 34, 35b, or 36.

Note. Complete line 1 if any entity is listed in Parts II, III, or IV of this schedule

1 During the tax year, did the organization engage in any of the following transactions with one or more related organizations listed in Parts II-IV?

- a** Receipt of **(i)** interest **(ii)** annuities **(iii)** royalties or **(iv)** rent from a controlled entity
- b** Gift, grant, or capital contribution to related organization(s)
- c** Gift, grant, or capital contribution from related organization(s)
- d** Loans or loan guarantees to or for related organization(s)
- e** Loans or loan guarantees by related organization(s)

- f** Dividends from related organization(s)
- g** Sale of assets to related organization(s)
- h** Purchase of assets from related organization(s)
- i** Exchange of assets with related organization(s)
- j** Lease of facilities, equipment, or other assets to related organization(s)

- k** Lease of facilities, equipment, or other assets from related organization(s)
- l** Performance of services or membership or fundraising solicitations for related organization(s)
- m** Performance of services or membership or fundraising solicitations by related organization(s)
- n** Sharing of facilities, equipment, mailing lists, or other assets with related organization(s)
- o** Sharing of paid employees with related organization(s)

- p** Reimbursement paid to related organization(s) for expenses
- q** Reimbursement paid by related organization(s) for expenses

- r** Other transfer of cash or property to related organization(s)
- s** Other transfer of cash or property from related organization(s)

	Yes	No
1a		No
1b		No
1c		No
1d		No
1e		No
1f		No
1g		No
1h		No
1i		No
1j	Yes	
1k	Yes	
1l		No
1m		No
1n		No
1o		No
1p		No
1q	Yes	
1r	Yes	
1s	Yes	

2 If the answer to any of the above is "Yes," see the instructions for information on who must complete this line, including covered relationships and transaction thresholds

(a) Name of related organization	(b) Transaction type (a-s)	(c) Amount involved	(d) Method of determining amount involved

Provide the following information for each entity taxed as a partnership through which the organization conducted more than five percent of its activities (measured by total assets or gross revenue) that was not a related organization. See instructions regarding exclusion for certain investment partnerships.

[illegible]

Part VII

Supplemental Information

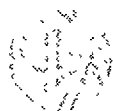
Provide additional information for responses to questions on Schedule R (see instructions)

Return Reference	Explanation
SCHEDULE R, PART I, LINE 5	Partners in Practice, LLC was dissolved June 10, 2014

WAKEMED
COMBINED FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013

**WAKEMED
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YEARS ENDED SEPTEMBER 30, 2014 AND 2013**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
WakeMed
Raleigh, North Carolina

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of WakeMed, which comprise the combined statements of net position as of September 30, 2014 and 2013, and the related combined statements of revenues, expenses, and changes in net position, and cash flows for the years then ended, and the related notes to the combined financial statements.

Management's Responsibility for the Combined Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these combined financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to WakeMed's preparation and fair presentation of the combined financial statements 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 WakeMed's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of WakeMed as of September 30, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.



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Report on Required Supplementary Information

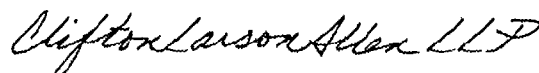
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 9 and the Schedule of Funding Progress on page 42 be presented to supplement the basic combined financial statements. Such information, although not a part of the basic combined financial statements, is required by the Governmental Accounting Standards Board ("GASB"), who considers it to be an essential part of financial reporting for placing the basic combined financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic combined financial statements, and other knowledge we obtained during our audit of the basic combined financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Report on Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the combined financial statements as a whole. The supplemental combining schedules are presented for purposes of additional analysis and are not a required part of the combined 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 combined financial statements. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the combined financial statements or to the combined 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 combined financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2014, on our consideration of WakeMed's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering WakeMed's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Charlotte, North Carolina
December 22, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

Overview

The Management's Discussion and Analysis section of WakeMed's combined financial statements is designed to provide a general overview of the financial operating results for the fiscal years ended September 30, 2014 and 2013. This analysis should be read in conjunction with the combined financial statements and related footnotes that follow this analysis.

WakeMed is a private, not-for-profit health care organization based in Wake County, North Carolina. WakeMed comprises a network of health care facilities throughout Wake and Johnston counties, including a 587-bed regional referral center with an adjoining 98-bed rehabilitation hospital in Raleigh; a 156-bed full-service community hospital in Cary, a freestanding emergency department, outpatient surgery and diagnostic center with physicians' offices in North Raleigh; freestanding emergency departments and diagnostic centers in Apex, Brier Creek and Garner; Raleigh Medical Park, a preadmission testing site adjacent to the Raleigh campus hospital; a medical office building with diagnostic and outpatient rehabilitation services in Clayton, a medical office building with diagnostic, outpatient rehabilitation and physician offices in West Raleigh; a mobile critical care transport service including an air ambulance service, and home health and outpatient rehabilitation services in Raleigh, Cary, and Apex. WakeMed is the tertiary provider of trauma, cardiac, neonatal intensive care, neurosciences, high-risk maternal, pediatric emergency and intensive care, adult care services, and physical rehabilitation services.

In addition to the entities described above, the combined financial statements include WakeMed Faculty Practice Plan, WakeMed Property Services, Wake Orthopaedics, LLC, Cardiac Innovations, LLC, Wake Specialty Physicians, LLC, CSAMS New Bern Avenue, LLC, Partners in Practice, LLC, and WakeMed Foundation (collectively, "WakeMed"). These component units are included in WakeMed's reporting entity because of their operational or financial relationships with WakeMed.

Mission

WakeMed's mission is to improve the health and well-being of our community by providing outstanding and compassionate care to all who seek our services. Our mission is the foundation of who we are and what we do. Guided by our vision and supported by strong values and goals, this mission drives the superior care that our patients, their families and the communities we serve have come to expect. To achieve this mission, WakeMed focuses its efforts on achieving ten strategic goals: Value Leader, Quality, Culture of Safety, Extraordinary Team, Healthy Community, The Wake Way, Innovation, Preferred Partner, Financial Health, and Highest Ethics and Standards.

Financial Highlights

- WakeMed's net position increased in each of the past two years with a \$29.9 million increase in 2014 and an \$9.1 million increase in 2013.
- WakeMed reported income from operations of \$4.2 million in 2014 which is an improvement of \$18.6 million from 2013. WakeMed reported a loss from operations of \$14.4 million in 2013 which is a decrease of \$67.1 million from 2012.
- Net patient service revenue in 2014 increased by approximately \$17.0 million, or 1.7%, as compared to 2012 and in 2013 decreased by approximately \$70.9 million, or 6.7%, as compared to 2012.

**WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013**

Current Year Events

Architectural and operational plans are well underway for the conversion of the North Healthplex into a 61-bed hospital. WakeMed North Hospital is scheduled to open in May 2015.

WakeMed executed an agreement for the formation of Baby+Company WakeMed JV LLC, ("Baby+Company WakeMed") On September 4, 2014, Baby+Company WakeMed was formed to develop a freestanding birthing center in Cary, North Carolina. WakeMed made a \$287 thousand capital contribution in order to attain a 30% membership interest in the joint venture.

WakeMed's hospitals attested during the current year that they met the meaningful use criteria that are required under the second year of the program. As a result WakeMed expects to receive incentive payments of approximately \$3.5 million and \$1.5 million from Medicare and Medicaid, respectively, for demonstrating meaningful use of certified Electronic Health Record (EHR) technology under the EHR incentive program. The funds will be received during fiscal year 2015. WakeMed's physician practices attested during 2014 and received incentive payments of approximately \$831 thousand and \$21 thousand for Medicare and Medicaid, respectively

WakeMed completed the implementation of the EPIC system for the physician practices during the current year. WakeMed began the implementation of the EPIC system for the hospitals during 2014 and the expected completion date is fiscal year 2015.

Using this Annual Report

The combined financial statements have been prepared on the accrual basis of accounting which accounts for all revenues and expenses regardless of when cash is received or paid. The annual report consists of the following components:

Combined Statements of Net Position - The combined statements of net position reflect the financial position of WakeMed at a specific point in time; i.e., all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position as of September 30, 2014 and 2013. These statements provide the basis for the evaluation of WakeMed's capital structure, liquidity, and financial flexibility

Combined Statements of Revenues, Expenses, and Changes in Net Position - These combined statements reflect WakeMed's profitability (or change in net position) for each of the fiscal years presented

Combined Statements of Cash Flows - The combined statements of cash flows report cash receipts, cash payments, and net changes in cash resulting from operating, investing, capital and related financing activities, noncapital and related financing activities. They also provide answers to such questions as where cash came from, what cash was used for, and what the change in the cash balance was during the reporting periods presented.

WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

Notes to Combined Financial Statements - These notes are designed to give the reader of the combined financial statements additional information concerning WakeMed and further supports the statements described above

Condensed Combined Statements of Net Position - The condensed combined statements of net position are as follows at September 30 (in thousands)

	2014	2013	2012
Current Assets	\$ 688,789	\$ 724,653	\$ 735,092
Capital Assets, Net	684,023	630,256	607,277
Assets Whose Use is Limited, Net of Portion Required for Current Liabilities	62,842	52,302	75,289
Other Assets	104,771	106,448	119,991
Total Assets	<u>1,540,425</u>	<u>1,513,659</u>	<u>1,537,649</u>
Deferred Outflows of Resources	<u>22,225</u>	<u>23,254</u>	<u>24,284</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,562,650</u>	<u>\$ 1,536,913</u>	<u>\$ 1,561,933</u>
Current Liabilities	\$ 188,236	\$ 180,595	\$ 208,481
Long-Term Debt, Less Current Maturities	438,148	449,932	457,120
Other Noncurrent Liabilities	22,795	22,782	21,648
Total Liabilities	<u>649,179</u>	<u>653,309</u>	<u>687,249</u>
Deferred Inflows of Resources	618	675	860
Net Position			
Net Investment in Capital Assets	246,213	181,594	162,889
Restricted by Donors	36,604	37,863	35,282
Restricted for Debt Service and Capital Purchases	12,693	12,618	9,235
Unrestricted	617,343	650,854	666,418
Total Net Position	<u>912,853</u>	<u>882,929</u>	<u>873,824</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 1,562,650</u>	<u>\$ 1,536,913</u>	<u>\$ 1,561,933</u>

Current Assets - In 2014, current assets decreased \$35.9 million, or 4.9%, over 2013. Cash and short-term investments decreased \$62.8 million; other receivables increased \$3.0 million while net patient accounts receivable increased \$21.3 million. WakeMed's current ratio is strong at 3.66 to 1.0 at September 30, 2014 and 4.01 to 1.0 at September 30, 2013. In 2013, current assets decreased \$10.4 million, or 1.4%, over 2012.

WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

Capital Assets-Net - In 2014, capital assets-net increased \$53.8 million, or 8.5%, over 2013 mainly due to expenditures incurred on major projects that began during 2013. Significant capital expenditures for fiscal year 2014 consisted of renovation of the Neonatal Intensive Care Unit, North Hospital Central Plant, construction of North Hospital support services area, the ambulatory portion of Epic, CatScan replacement at the Raleigh Campus, ongoing equipment replacement throughout WakeMed, various improvements to existing facilities, and information technology purchases and upgrades. In 2013, capital assets-net increased \$23.0 million, or 3.8%, over 2012 mainly due to expenditures incurred on major projects that began during 2012.

Other Assets - Other Assets decreased \$1.7 million, or 1.6%, in 2014 due primarily to a decrease in the prepaid pension obligation and investment in affiliates offset by the increase in long-term investments. Other assets decreased \$13.5 million, or 11.3% in 2013 due primarily to a decrease in long-term cash and equity investments offset by the increase of \$4.1 million in investment in affiliates and other assets which occurred as a result of WakeMed's \$5.0 million note receivable from Harnett Health System, Inc.

Current Liabilities - In 2014, current liabilities increased \$7.6 million, or 4.2%, from 2013. The primary factors were a \$1.9 million increase in third-party payor and Medicaid Reimbursement Initiative reserves, and a \$5.7 million increase in accounts payable and accrued liabilities. In 2013, current liabilities decreased \$27.9 million, or 13.4%, from 2012. The primary factors were a \$12.7 million decrease in third-party payor and Medicaid Reimbursement Initiative reserves, and a \$15.6 million decrease in accounts payable and accrued liabilities.

Long-Term Debt - At September 30, 2014, WakeMed had \$440.9 million of debt under the terms of two outstanding bond offerings and several capital leases. The 2012A \$294.8 million issue was used to refund the 2001 and 2009A bond issues. The 2001 bonds were redeemed in July 2012 and the 2009A bonds were redeemed on October 1, 2014. The 2009C \$81.8 million issue was used to refund the 1997 bonds in advance of their maturity dates. The 2009B \$75.0 million issue was used for equipment purchases and to finance the construction and acquisition of certain property as defined in the bond orders. Long-term debt, less current maturities decreased \$11.8 million in 2014 as a result of making scheduled principal payments. See Note 7 to the combined financial statements for a detailed discussion on long-term debt.

Other Noncurrent Liabilities - In 2014, other noncurrent liabilities increased \$13 thousand, or 0.1%, from 2012. In 2013, other noncurrent liabilities increased \$1.1 million, or 5.2%, from 2012.

Total Net Position - Overall, total net position increased approximately \$29.9 million, or 3.4%, over 2013. The specific components of the change in net position are as follows:

Net Investment in Capital Assets - Net investment in capital assets increased \$64.6 million, or 35.6% in 2014. Driven by WakeMed's continuing growth and investment in equipment and infrastructure, total capital assets increased by \$53.8 million in 2014.

WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

Net Position Restricted by Donors - Net position restricted by donors, which represent funds held by WakeMed that are restricted as to their use by external donors, decreased \$1.3 million in 2014, or 3.3% from 2013. These funds are restricted for such uses as the provision of indigent care and certain other services such as children's, educational and patient care programs.

Net Position Restricted for Debt Service and Capital Purchases - Net assets restricted for debt service and capital purchases represent assets that are to be used to pay current debt obligations. They increased \$75 thousand or 0.6% in 2014 due to new capital leases entered into during 2014.

Unrestricted Net Position - Unrestricted net position represents assets available to fund the ongoing operations of WakeMed. The \$33.5 million decrease in 2014 was primarily due to the increase in capital expenditures which increased the net investment in capital assets.

Condensed Combined Statements of Revenue, Expenses, and Changes in Net Position - The condensed combined statements of revenue, expenses, and changes in net position are as follows for the years ended September 30 (in thousands):

	2014	2013	2012
Patient Service Revenue, Net	\$ 1,002,749	\$ 985,777	\$ 1,056,683
Other Operating Revenue	38,417	36,894	32,056
Total Operating Revenue	1,041,166	1,022,671	1,088,739
OPERATING EXPENSES			
Labor Expenses	608,693	614,103	595,095
Supplies, Purchased Services and Other	304,933	301,885	318,103
Professional Fees	40,696	39,206	40,999
Depreciation	70,307	68,263	66,502
Interest Expense	12,350	13,642	15,408
Total Operating Expenses	1,036,979	1,037,099	1,036,107
Income (Loss) from Operations	4,187	(14,428)	52,632
Nonoperating Revenues, Net			
Investment Income	19,445	15,274	32,058
Other, Net	5,662	5,639	1,278
Total Nonoperating Revenue, Net	25,107	20,913	33,336
Income Before Non-Controlling Interest and Capital Contributions	29,294	6,485	85,968
Loss Applicable to Non-Controlling Interest	-	-	(2,582)
Income Before Capital Contributions	29,294	6,485	83,386
Capital Contributions and Transfers, Net	630	2,620	1,421
Increase in Net Position	29,924	9,105	84,807
NET POSITION - BEGINNING OF YEAR	882,929	873,824	789,017
NET POSITION - END OF YEAR	\$ 912,853	\$ 882,929	\$ 873,824

WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013

Income (Loss) from Operations - Income from operations in 2014 improved by \$18.6 million from 2013. Income from operations in 2013 decreased by \$67.1 million from 2012.

Patient Service Revenue - Net - Net patient service revenue increased \$17.0 million, or 1.7%, over 2013. This increase was driven by several factors. WakeMed implemented a 3.5% price increase for hospital services in 2014 and experienced an increase in outpatient revenue driven by increased outpatient volumes in comparison to 2013. WakeMed recognized approximately \$54.1 million and \$52.4 million in Medicaid GAP funds as revenue during fiscal years 2014 and 2013, respectively.

Labor Expenses - Total labor expenses decreased \$5.4 million, or 0.9% compared to 2013. The decrease is primarily due to a 3.0% decrease in FTEs, partially offset with an increase in benefits.

Supplies, Purchased Services, and Other - Overall, these costs experienced an increase of \$3.0 million, or 1.0% over 2013. WakeMed incurred an overall supply cost decrease in implants and general supplies. Purchased services increased this year as compared to last year due to application software maintenance and agency support services. Other expense includes approximately \$24.5 million for assessment costs related to the new Medicaid GAP Program compared to \$21.9 million in 2013. In 2013, supplies, purchased services, and other, decreased \$16.2 million, or 5.1% as compared to 2012.

Depreciation Expense - Depreciation expense increased \$2.0 million, or 3.0%, over 2013 due to current year capital asset additions and disposals. In 2013, depreciation expense increased \$1.8 million, or 2.6%, over 2012.

Investment Income - Investment income increased \$4.2 million, or 27.3%, from 2013. Fiscal year 2014 presented an \$8.9 million increase in unrealized gains from favorable financial market conditions offset by a \$4.7 million decrease in realized gains from 2013. In 2013, investment income decreased \$16.8 million, or 52.4%, from 2012.

Capital Assets - Net

Capital assets - net consisted of the following at September 30 (in thousands)

	2014	2013	2012
Land and Land Improvements	\$ 44,211	\$ 43,922	\$ 41,314
Buildings	694,546	668,948	643,917
Equipment	726,979	694,196	659,953
Construction-in-Progress	75,809	36,503	20,008
	<u>1,541,545</u>	<u>1,443,569</u>	<u>1,365,192</u>
Less, Accumulated Depreciation	<u>(857,522)</u>	<u>(813,313)</u>	<u>(757,915)</u>
Capital Assets, Net	<u>\$ 684,023</u>	<u>\$ 630,256</u>	<u>\$ 607,277</u>

Significant capital expenditures for fiscal year 2014 consisted of the renovation of the Neonatal Intensive Care Unit, North Hospital Central Plant, construction of North Hospital support services area, the ambulatory portion of Epic, CatScan replacement at the Raleigh Campus, ongoing equipment replacement throughout WakeMed, various improvements to existing facilities, and information technology purchases and upgrades. These capital expenditures are expected to support future revenue growth.

**WAKEMED
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014 AND 2013**

Community Benefit

WakeMed's involvement in the community goes far beyond the provision of medical care at one of our facilities. The system engages in a variety of activities that result in a direct benefit including outreach, donations, in-kind contributions, special initiatives for children, free pediatric asthma and diabetes programs, employee volunteer hours, and teaching and training the next generation of physicians and nurses. WakeMed is guided by a mission that requires us to constantly increase our capacity for care. That means a steady stream of new programs, services, technologies and facilities for the community. It also means caring for all who seek our services, regardless of their ability to pay.

WakeMed provides health care to citizens in the communities we serve regardless of their ability to pay. Based on WakeMed's established charge structure, total charges foregone for charity care provided amounted to \$295.9 million in 2014, representing a \$6.1 million increase over the prior year. In 2013, charity care increased by \$20.2 million over 2012.

Transfer Agreement Compliance

The Transfer Agreement, signed in 1997 when Wake County conveyed the hospital to WakeMed, was amended in September 2008. The Transfer Agreement mandates a minimum of 4.8% of revenues from Wake County citizens be spent to provide services and resources to indigent patients and the community at large in Wake County. In fiscal years 2014 and 2013, WakeMed was in compliance with the Transfer Agreement.

Contacting WakeMed's Financial Management

The financial report is designed to provide the users of WakeMed's combined financial statements with a general overview of WakeMed's finances. If you have questions about this report or need additional financial information, please contact WakeMed, Attn: Chief Financial Officer, 3000 New Bern Avenue, Raleigh, North Carolina 27610.

WAKEMED
COMBINED STATEMENTS OF NET POSITION
SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 80,460	\$ 98,745
Short-Term Investments	339,649	384,177
Patient Accounts Receivable, Net of Allowance for Uncollectible Accounts of \$89,718 in 2014 and \$41,353 in 2013	180,321	159,030
Other Receivables	37,349	34,379
Inventories	21,287	19,388
Prepaid Expenses and Other Current Assets	11,315	10,906
Assets Whose Use is Limited, Required for Current Liabilities	18,408	18,028
Total Current Assets	<u>688,789</u>	<u>724,653</u>
CAPITAL ASSETS, NET	684,023	630,256
ASSETS WHOSE USE IS LIMITED, Net of Portion Required for Current Liabilities	62,842	52,302
OTHER ASSETS		
Long-Term Investments	73,543	71,021
Investment in Affiliates and Other Assets	30,160	33,108
Prepaid Pension Obligation	1,068	2,319
Total Other Assets	<u>104,771</u>	<u>106,448</u>
Total Assets	1,540,425	1,513,659
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding of Long-Term Debt	22,225	23,254
Total Assets and Deferred Outflows of Resources	<u>\$ 1,562,650</u>	<u>\$ 1,536,913</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION		
CURRENT LIABILITIES		
Current Maturities of Long-Term Debt	\$ 21,888	\$ 21,984
Accounts Payable and Accrued Liabilities	143,068	137,362
Due to Third-Party Payors	22,771	20,878
Unearned Revenue	509	371
Total Current Liabilities	<u>188,236</u>	<u>180,595</u>
LONG-TERM DEBT, LESS CURRENT MATURITIES	438,148	449,932
OTHER NONCURRENT LIABILITIES	22,795	22,782
Total Liabilities	<u>649,179</u>	<u>653,309</u>
COMMITMENTS AND CONTINGENCIES (NOTES 1 AND 12)		
DEFERRED INFLOWS OF RESOURCES		
Advanced Receipts of Grant Proceeds	618	675
NET POSITION		
Net Investment in Capital Assets	246,213	181,594
Restricted by Donors	36,604	37,863
Restricted for Debt Service and Capital Purchases	12,693	12,618
Unrestricted	617,343	650,854
Total Net Position	<u>912,853</u>	<u>882,929</u>
Total Liabilities, Deferred Inflows or Resources and Net Position	<u>\$ 1,562,650</u>	<u>\$ 1,536,913</u>

See accompanying Notes to Combined Financial Statements.

WAKEMED
COMBINED STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
PATIENT SERVICE REVENUE		
Net of Contractual Allowances of \$2,570,081 and \$2,472,967 and Provision for Uncollectible Accounts of \$59,307 and \$55,307 in 2014 and 2013, Respectively	\$ 1,002,749	\$ 985,777
OTHER OPERATING REVENUE	<u>38,417</u>	<u>36,894</u>
Total Operating Revenue	1,041,166	1,022,671
LABOR EXPENSES		
Salaries, Wages and Employee Benefits	580,833	585,180
Contract Nursing	683	2,436
Other Contract Labor	<u>27,177</u>	<u>26,487</u>
Total Labor Expenses	608,693	614,103
OTHER OPERATING EXPENSES		
Supplies, Purchased Services and Other	304,933	301,885
Professional Fees	40,696	39,206
Depreciation	70,307	68,263
Interest Expense	<u>12,350</u>	<u>13,642</u>
Total Other Operating Expenses	428,286	422,996
Total Expenses	<u>1,036,979</u>	<u>1,037,099</u>
INCOME (LOSS) FROM OPERATIONS	4,187	(14,428)
NONOPERATING REVENUE, NET		
Investment Income	19,445	15,274
Other, Net	<u>5,662</u>	<u>5,639</u>
Total Nonoperating Revenue, Net	25,107	20,913
INCOME BEFORE CAPITAL CONTRIBUTIONS	29,294	6,485
CAPITAL CONTRIBUTIONS, NET	<u>630</u>	<u>2,620</u>
INCREASE IN NET POSITION	29,924	9,105
Net Position - Beginning of Year	<u>882,929</u>	<u>873,824</u>
NET POSITION - END OF YEAR	<u><u>\$ 912,853</u></u>	<u><u>\$ 882,929</u></u>

See accompanying Notes to Combined Financial Statements.

WAKEMED
COMBINED STATEMENTS OF CASH FLOWS
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Third-Party Payors and Patients	\$ 983,351	\$ 931,245
Payments to Suppliers	(345,824)	(342,594)
Payments to Employees	(604,728)	(627,286)
Other Receipts	36,420	48,136
Net Cash Provided by Operating Activities	<u>69,219</u>	<u>9,501</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds Payable, Net	(9,905)	(9,285)
Interest Payments on Bonds Payable	(13,291)	(13,505)
Principal Payments on Capital Lease Obligations and Other	(1,472)	(1,063)
Interest Payments on Capital Lease Obligations and Other	(753)	(795)
Purchases of Capital Assets	(121,854)	(85,886)
Increase (Decrease) in Assets Whose Use is Limited	(11,759)	22,506
Gifts, Grants and Bequests	630	2,620
Net Cash Used in Capital and Related Financing Activities	<u>(158,404)</u>	<u>(85,408)</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Loan to Hamett Health System	-	(5,000)
Net Cash Used in Noncapital and Related Financing Activities	<u>-</u>	<u>(5,000)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest, Dividends and Unrealized Gain on Investments	18,543	11,073
Realized Gain on Sale of Investments	902	4,201
Other Nonoperating Gains, Net	5,662	5,639
Decrease in Short-Term and Long-Term Investments	42,006	30,794
Changes in Other Non-Operating Assets, Net	2,948	865
Net Cash Provided by Investing Activities	<u>70,061</u>	<u>52,572</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	(19,124)	(28,335)
Cash and Cash Equivalents - Beginning of Year	<u>121,010</u>	<u>149,345</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 101,886</u>	<u>\$ 121,010</u>
RECONCILIATION OF COMBINED CASH AND CASH EQUIVALENTS TO COMBINED STATEMENTS OF NET POSITION:		
Cash and Cash Equivalents	\$ 80,460	\$ 98,745
Cash and Cash Equivalents in Assets Whose Use is Limited	21,426	22,265
Total Cash and Cash Equivalents	<u>\$ 101,886</u>	<u>\$ 121,010</u>

See accompanying Notes to Combined Financial Statements.

WAKEMED
COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

	<u>2014</u>	<u>2013</u>
RECONCILIATION OF INCOME (LOSS) FROM OPERATIONS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Income (Loss) from Operations	\$ 4,187	\$ (14,428)
Interest Expense Considered Capital Financing Activity	12,350	13,642
Adjustments to Reconcile Income (Loss) from Operations to Net Cash Provided by Operating Activities		
Depreciation	70,307	68,263
Provision for Uncollectible Accounts	59,307	55,307
Increase in Patient and Other Receivables	(83,568)	(84,949)
Increase (Decrease) in Accounts Payable and Accrued Liabilities	5,706	(15,649)
Change in Other Operating Assets and Liabilities, Net	930	(12,685)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 69,219</u></u>	<u><u>\$ 9,501</u></u>
SUPPLEMENTAL DISCLOSURE OF NONCASH CAPITAL AND RELATED FINANCING AND INVESTING ACTIVITIES		
Capital Assets Acquired under Capital Leases	<u><u>\$ 292</u></u>	<u><u>\$ 4,463</u></u>

See accompanying Notes to Combined Financial Statements.

WAKEMED
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 1 ORGANIZATION

WakeMed, a North Carolina not-for-profit corporation, was established in 1965 to provide access to quality hospital-based services to the citizens of Wake County, North Carolina and surrounding counties. To support these services, WakeMed delivers a broad range of services through a network of operating affiliates

Effective April 1, 1997, the Wake County commissioners conveyed all real estate, personal property, fixtures, equipment, cash and accounts, and all rights, title, and interest in all such property and facilities to WakeMed, under the provisions of North Carolina General Statute 131E-8 (the "Statute"), in accordance with a transfer agreement between WakeMed and the County of Wake (the "Transfer Agreement"). The Transfer Agreement was amended in September 2008. While a majority of the Board of Directors continue to be appointed by Wake County, as required by the Statute, WakeMed's facilities are no longer owned by Wake County as required by North Carolina General Statute 159-39(a). Further, the Statute required that the outstanding general obligation revenue bonds be defeased at the time of conveyance.

As a condition to the conveyance, WakeMed has agreed to provide community general hospital services to citizens of Wake County without regard to the ability to pay. Moreover, WakeMed must meet minimum financial commitments for services and resources to indigent patients and the community at large as defined in the Transfer Agreement, as amended. For the years ended September 30, 2014 and 2013, WakeMed met the minimum financial commitments as defined in the Transfer Agreement, as amended. In the event the level of commitment is not provided through charity care, WakeMed may be required to designate an amount equal to such deficiency to be maintained by WakeMed for purposes of covering the cost of future services to indigent patients. No amount has been designated at September 30, 2014 and 2013.

Reporting Entity

As required by accounting principles generally accepted in the United States of America (hereinafter referred to as "generally accepted accounting principles"), these combined financial statements present WakeMed and its blended component units. The combined component units discussed below are included in WakeMed's reporting entity because of their operational or financial relationships with WakeMed. All significant intercompany balances and transactions have been eliminated in combination.

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus—an Amendment of GASB Statements No. 14 and No. 34*. The objective of this statement is to improve financial reporting for a governmental financial reporting entity. Statements No. 14 and No. 34 were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those statements. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This statement became effective beginning with WakeMed's fiscal year ended September 30, 2013, and did not have a significant impact on the combined financial statements.

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NOTE 1 ORGANIZATION (CONTINUED)

Reporting Entity (Continued)

- *WakeMed Faculty Practice Plan* – WakeMed Faculty Practice Plan (formerly known as Wake County Hospital System Medical Education Foundation) (the “Faculty Practice”) is a not-for-profit corporation established for charitable, educational, and scientific purposes through aid and promotion of the health care services of WakeMed and other nonprofit organizations. Faculty Practice is reported as a blended component unit because the entities share the same Board of Directors.
- *WakeMed Property Services* – WakeMed Property Services (“Property Services”) is a not-for-profit corporation established to provide health care facilities and related services to WakeMed. Property Services owns and operates WakeMed Clayton Medical Park, WakeMed North Healthplex, WakeMed Apex Healthplex, Garner Healthplex and other properties that are non-clinical sites. Property Services owns the land in Raleigh and leases the WakeMed Brier Creek Healthplex building, as well as multiple other properties. Additionally, Property Services leases space in these facilities to professional associations and WakeMed. Property Services is reported as blended component unit because the entities share the same Board of Directors.
- *Wake Orthopaedics, LLC* – On April 3, 2003, WakeMed filed Articles of Incorporation to establish Wake Orthopaedics, LLC (“Wake Orthopaedics”), a wholly-owned not-for-profit subsidiary. Wake Orthopaedics is an orthopedic practice that provides orthopedic medical services at its own physical locations as well as call coverage for the emergency departments and trauma services at WakeMed facilities. The practice is managed by an outside agency and contracts with licensed orthopedists to provide medical services. Wake Orthopaedics is reported as a blended component unit as WakeMed is its sole member. Effective June 1, 2014, Wake Orthopaedics transferred activity to Wake Specialty Physicians, LLC as a result of corporate reorganization. The revenues and expenses on the combining statement of revenues, expenses, and change in net position represents the activity from October 1, 2013 to June 1, 2014.
- *Cardiac Innovations, LLC* – On November 9, 2005, WakeMed filed Articles of Incorporation to establish Cardiac Innovations, LLC (“Cardiac Innovations”), a wholly-owned not-for-profit subsidiary, which began operations in August 2007. Cardiac Innovations was formed to acquire and lease equipment with added value by physician involvement to better enable WakeMed to deliver high quality health care services. The company owns peripheral arterial disease equipment that is leased to physician offices. Cardiac Innovations is reported as a blended component unit as WakeMed is its sole member.

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NOTE 1 ORGANIZATION (CONTINUED)

Reporting Entity (Continued)

- *Wake Specialty Physicians, LLC* – On January 30, 2009, WakeMed filed Articles of Organization to establish Wake Specialty Physicians, LLC (“Wake Specialty Physicians”), a wholly-owned not-for-profit subsidiary. Wake Specialty Physicians was formed to employ and contract with physicians for the provision of professional medical services. Wake Specialty Physicians is reported as a blended component unit as WakeMed is its sole member.
- *Partners in Practice, LLC* – On October 14, 2009, WakeMed filed Articles of Organization to establish Partners in Practice, LLC (“Partners in Practice”), a wholly-owned not-for-profit subsidiary. Partners in Practice was originally formed to allow WakeMed to partner with local physician practices and help them manage the many complex aspects of operating a practice. This company is currently inactive for operational purposes. Partners in Practice was dissolved effective June 10, 2014.
- *WakeMed Foundation* – WakeMed Foundation (the “Foundation”) is a not-for-profit corporation established in 1994 for the purpose of receiving and managing donations for the benefit of WakeMed and its ancillary organizations. The Foundation is also dedicated to building support for WakeMed through leadership development, fundraising, and educational awareness. The Foundation is included as a blended component unit as it provides its services almost exclusively to WakeMed. Separate financial statements for the Foundation can be obtained by contacting WakeMed management.
- *CSAMS New Bern Avenue, LLC* – On January 3, 2012, WakeMed filed Articles of Organization to establish CSAMS New Bern Avenue, LLC (“CSAMS”), a member managed entity acting under the statutory provisions of the North Carolina LLC act. CSAMS owns perfusion pumps and was acquired to ensure WakeMed has essential tools necessary to offer high quality cardiovascular surgery services at any time. Prior to the acquisition, WakeMed purchased perfusion services from CSA Medical Services as a vendor relationship. CSAMS is reported as a blended component unit as WakeMed is its sole member.

Basis of Presentation

WakeMed utilizes proprietary fund accounting whereby revenues and expenses are recognized on an accrual basis. In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the Financial Accounting Standards Board Statements and other pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement became effective for WakeMed beginning with the fiscal year ended September 30, 2013.

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NOTE 1 ORGANIZATION (CONTINUED)

Affiliation Agreements

Southern Atlantic Healthcare Alliance – In October 2004, WakeMed became a member of the Southern Atlantic Healthcare Alliance. This corporation is a nonprofit corporation organized to facilitate consulting, resource sharing and education among participating hospitals to provide patients with quality medical care.

Harnett Health System, Inc. – In November 2005, WakeMed entered into a management agreement with Harnett Health System, Inc. to manage Betsy Johnson Regional Hospital and Harnett Health to include implementing hospital operating policies and procedures and standards for operations, services and maintenance. As a part of this agreement, WakeMed provides a President, CEO and a Chief Financial Officer for Harnett Health System, Inc.

During fiscal year 2011, WakeMed entered into a five-year liquidity agreement with Harnett Health System, Inc. to assist them with retaining days cash on hand required by their bond documents. The agreement requires WakeMed, if necessary, to loan the difference in the required days cash on hand up to a maximum of \$5 million. WakeMed will receive interest of the prime rate plus 2% on any loan amount along with an annual availability fee on the unloaned portion of the aggregate loan capacity. This agreement supports WakeMed's existing management services agreement with Harnett Health System, Inc. to manage their facilities. During 2013, Harnett Health System, Inc. did not meet the days cash on hand required by their bond documents and as a result WakeMed executed a loan for \$5 million to Harnett Health System, Inc. in accordance with the liquidity agreement.

Sampson Regional Medical Center – In January 2011, WakeMed entered into a two-year lease agreement for office space for cardiac services from Sampson Regional Medical Center. The lease expired on December 31, 2012 and was not renewed in 2014.

University of North Carolina Health Care System – In August 2011, WakeMed entered into a Master Affiliation Agreement with the University of North Carolina Health Care System ("UNC HCS"), for and on behalf of its University of North Carolina Hospitals and its clinical patient care programs of the School of Medicine of the University of North Carolina at Chapel Hill. WakeMed provides physicians of UNC HCS with residency training and expanded learning environments in a clinical setting.

Wilson Medical Center – In October 2011, WakeMed announced a Percutaneous Coronary Intervention Program Services Agreement with Wilson Medical Center ("WilMed"). This mutually beneficial relationship will closely align the WakeMed Heart Center and WilMed's Cardiopulmonary Services and will enhance the level of cardiac services available to the residents of Wilson County.

Johnston Health – In October 2011, WakeMed entered into a Heart and Vascular Services Agreement with Johnston Health. The level of Cardiac Services available to the residents of Johnston County will be enhanced by this relationship and will closely align the WakeMed Heart Center and Johnston's Cardiopulmonary Services. Both of Johnston Health's locations are served under the agreement (Clayton and Smithfield). The agreement expired on October 1, 2014 and was not renewed.

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NOTE 1 ORGANIZATION (CONTINUED)

Affiliation Agreements (Continued)

Duke University Health System, Inc. – In April 2012, WakeMed entered into a Pediatric Services Collaborative Agreement with Private Diagnostic Clinic, PLLC, Duke University, through its School of Medicine (“Duke”), and Duke University Health System, Inc., collectively referred to as Duke Medicine. The collaboration promotes the educational mission of Duke and increases clinical efficiencies and improves clinical quality of pediatric medicine and surgery services in Wake County

Wayne Memorial Hospital – In November 2012, WakeMed entered into a Heart and Vascular Services Agreement with Wayne Memorial Hospital. The level of Cardiac Services available to the residents of Wayne County will be enhanced by this relationship and will closely align the WakeMed Heart Center and Wayne Memorial Hospital's Cardiopulmonary Services

Granville Health System – In December 2012, WakeMed entered into a Telestroke Program Agreement with Granville Health System. The level of Telestroke Services available to the residents of Granville County will be enhanced by this relationship by improving the timeliness and availability of acute stroke patient treatment and transport.

Wake Forest Baptist Medical Center – In December 2012, WakeMed entered into a Telestroke Program Agreement with Wake Forest Baptist Medical Center. The level of Telestroke Services available to the residents of Wake Forest will be enhanced by this relationship by improving the timeliness and availability of acute stroke patient treatment and transport.

Central Carolina Hospital – In September 2013, WakeMed announced a Pediatric Hospitalist Services Agreement with Central Carolina Hospital. WakeMed's board-certified pediatricians provide 24/7 service to Central Carolina Hospital's recently designated pediatric unit

Learning Services, Inc. – On January 21, 2014, WakeMed entered into a Therapy Services Agreement with Learning Services, Inc. WakeMed provides the services of licensed physical therapists, occupational therapists, and speech language pathologists (collectively known as “therapy services”) to Learning Services, Inc

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and deferred outflows of resources and liabilities and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates

WAKEMED
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All highly liquid investments with an original maturity of three months or less, and which are not limited as to their use, are considered to be cash equivalents and are recorded at cost which approximates market.

Inventories

Inventories consist primarily of patient care supplies and are stated at the lower of average cost or market.

Assets Whose Use is Limited

Assets whose use is limited includes assets held by a trustee by bond order, internally designated amounts to meet future bond and principal payments, estimated settlements with third-party payors, self-insurance trust arrangements, and other donor restricted assets. Assets whose use is limited that are required for settlement of current liabilities are reported in current assets

Investments and Investment Income

WakeMed follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, which states that investments in marketable debt and equity securities with readily determinable fair values, including assets whose use is limited, be measured at fair value in the accompanying combined statements of net position. Additionally, investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) is included in nonoperating revenue – net in the accompanying combined statements of revenues, expenses and changes in net position.

Capital Assets

Property and equipment are recorded at cost or, if donated, at fair market value on the date of receipt. Depreciation is provided over the estimated useful life of each class of depreciable asset and is computed using the straight-line method for financial reporting purposes. Assets under capital lease obligations are depreciated using the straight-line method over the shorter period of the lease term or the estimated useful life of the asset.

Depreciation is included in the accompanying combined financial statements using the following estimated useful lives:

<u>Property Classification</u>	<u>Estimated Lives (Years)</u>
Land Improvements	5-20
Building	5-40
Equipment	2-10

Expenditures for repairs and maintenance are charged to expense as incurred unless the betterments extend the useful lives of the assets, at which point these costs are capitalized. Interest costs incurred on borrowed funds, less any interest earned on temporary investment of those funds, during the period of construction of capital assets is capitalized as a component of the costs of acquiring those assets.

WAKEMED
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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

Legal title to the property and certain equipment (collectively referred to as the "facilities") of WakeMed was held by Wake County, and the facilities were managed and operated by WakeMed under an operating agreement with Wake County until April 1, 1997, when title was transferred to WakeMed as described in Note 1. The Wake County operating agreement contains several restrictive covenants that, among other things, require WakeMed to operate and maintain the facilities and pay the bond trustee amounts sufficient to satisfy the principal and interest requirements on the bonds

Investment in Affiliates and Other Assets

Property Services maintains a laundry facility joint venture, Quality Textile Services, Inc. ("QTS"), with Rex Enterprises, Inc to increase efficiency and reduce costs for the participating hospitals. This investment is accounted for under the equity method. At September 30, 2014 and 2013, Property Services' investment balance in QTS was \$2,130 and \$2,287, respectively.

WakeMed maintains a joint venture, Wake PET Services, LLC ("Wake PET"), with Wake Radiology Services, LLC to acquire and lease a PET/CT scanner. This investment is accounted for under the equity method. At September 30, 2014 and 2013, WakeMed's investment balance in Wake PET was \$12 and \$45, respectively

WakeMed owns 50% of the shares of Dogwood Insurance Company (SPC) LTD. (the "Dogwood Captive"), an exempted segregated portfolio captive insurance company domiciled in the Cayman Islands. The Dogwood Captive is owned jointly with Mission Health Systems, Inc. Under the terms of a Share Sale and Purchase Agreement, the Dogwood Captive has established a segregated portfolio which is designated as the "WakeMed Segregated Portfolio." WakeMed's participation is limited to general liability and professional liability coverage.

WakeMed acquired workforce in place as part of physician practice acquisitions during 2012 and 2011. There were no acquisitions of workforce in place during 2014 or 2013. The value of the workforce in place was based on current salaries, hiring and training costs. The assets are being amortized over five years. Any impairment to the asset is recognized as incurred. The impairments reflect staff turnover occurring between valuation and time of purchase as well as terminations occurring subsequent to purchase. Amortization of \$325 and \$373 and impairments totaling \$82 and \$78 were recognized in 2014 and 2013, respectively. The net book value of the workforce in place as of September 30, 2014 and 2013, was \$479 and \$886, respectively

WakeMed became a contributing member of Advanced Home Care, Inc., a North Carolina nonprofit corporation, in June of 2012 with an investment of \$1 million. Advanced Home Care, Inc. provides health care services to patients in their homes, including the provision of home health services, durable medical equipment, home infusion therapy, respiratory services and equipment, enteral feeding and home sleep therapy. The acquired membership interest in Advanced Home Care, Inc. is being accounted for using the cost basis of accounting, and results in distributions of earnings to its members as determined annually by the Advanced Home Care, Inc. board of directors. WakeMed did not receive distributions during the year ended September 30, 2014. WakeMed received distributions of \$83 in fiscal year 2013.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investment in Affiliates and Other Assets (Continued)

WakeMed and physician investors formed a joint venture in April 2012, Capital City Surgery Center, LLC ("Capital City"), a North Carolina limited liability company, to operate a facility to provide ambulatory surgery services which may include, but is not limited to, gynecology, neurosurgery, otolaryngology, ophthalmology, orthopedic and podiatry procedures at a freestanding ambulatory surgery center located at 23 Sunnybrook Road in Raleigh, North Carolina. The company is managed by an outside management group. This investment is accounted for under the equity method. At September 30, 2014 and 2013, WakeMed's investment balance in Capital City was approximately \$9,361 and \$9,157, respectively.

WakeMed filed the Articles of Incorporation on May 28, 2013 to establish WakeMed Key Community Care, LCC ("WakeMed Key Community Care"). WakeMed has a 50% membership interest in WakeMed Key Community Care. Key Physicians, P.A., a network of more than 220 independent primary care physicians, has the remaining 50% membership interest. The joint venture was created to establish an accountable care organization (ACO). WakeMed Key Community Care became an approved participant in the Medicare Shared Savings Program on January 1, 2014. On January 1, 2014 WakeMed Key Community Care entered into a revolving credit note agreement with WakeMed for an amount not to exceed \$400 at an interest rate of prime (3.25% at September 30, 2014) with an expiration date of January 1, 2015. The amount outstanding for the year ended September 30, 2014 was \$109.

On September 4, 2014 WakeMed entered into a partnership with Baby+Company in order to form Baby+Company WakeMed JV LLC, ("Baby+Company WakeMed"). Baby+Company WakeMed was formed to develop a freestanding birthing center in Cary, North Carolina. WakeMed made a \$287 capital contribution in order to attain a 30% membership interest in the joint venture.

Accrued Paid Days Off

WakeMed has a paid days off ("PDO") plan covering all full-time, three-quarter time and part-time employees. An employee is allowed to accrue up to a maximum of 520 hours of PDO, which includes earned vacation, holiday, and sick time. Employees hired prior to July 1, 2009 are 40% vested after three months, 50% vested after one year, 75% vested after three years, and 100% vested after five years. Employees hired on or after July 1, 2009 are 75% vested after three years and 100% vested after 5 years. As of September 30, 2014 and 2013, the accrued PDO balance was \$27,923 and \$29,216, respectively, and is included in accounts payable and accrued liabilities in the accompanying combined statements of net position.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

In accordance with GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, net position is categorized as net investment in capital assets, restricted and unrestricted. Net investment in capital assets is intended to reflect the portion of net assets that is associated with nonliquid capital assets less outstanding capital assets-related debt. Restricted net position is assets generated from revenues that have third-party limitations on their use. Unrestricted net position has no third-party restrictions on use.

Statements of Revenues, Expenses, and Changes in Net Position

All revenue and expenses directly related to the delivery of health care services are included in operating revenue and expenses in the statements of revenue, expenses, and changes in net position. Nonoperating revenue and expenses consist of those revenue and expenses that are related to financing and investing types of activities and result from nonexchange transactions or investment income.

Patient Service Revenue, Net

WakeMed has agreements with third-party payors that provide for payments to WakeMed at amounts different from its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges, and per diem payments. Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

Charity Care

WakeMed provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because WakeMed does not pursue collection of amounts determined to qualify as charity care, the related amounts are not reported as net patient service revenue.

WakeMed has an established policy addressing the criteria by which ability to pay is determined, and the application of that policy resulted in the provision of services to patients unable to pay for those services in amounts approximating \$295,896 in fiscal year 2014 and \$289,777 in fiscal year 2013, based on WakeMed's established charge structure.

Estimated Malpractice Costs

The provision for estimated medical malpractice claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

Income Taxes

Substantially all of the activities of WakeMed are exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

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NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*. The objective of this statement is to establish standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources and expenses regarding certain pension plans. This statement also addresses note disclosure and required supplementary information requirements. This statement will be effective for WakeMed's fiscal year ending September 30, 2015, and management is currently evaluating the impact of the standard on the combined financial statements.

Fair Values of Financial Instruments

The following methods and assumptions were used by management in estimating fair values for financial instruments.

Cash and Cash Equivalents, Patient and Other Receivables, and Accounts Payable and Accrued Liabilities - The carrying amount approximates fair value because of the short maturity of these instruments

Short-Term and Long-Term Investments (Including Assets Whose Use is Limited) - Fair values, which are the amounts reported in the accompanying combined statements of net position, are based on quoted market prices, if available, or are estimated using quoted market prices for similar securities

Due to Third-Party Payors - The carrying amount reported in the accompanying combined statements of net position for estimated third-party payor settlements approximates its fair value.

Electronic Health Record Incentive Payments

As discussed in Note 16, WakeMed received funds under the Electronic Health Records (EHR) Incentive Program during 2014 and 2013. WakeMed recognizes revenue at the completion of the EHR reporting period and after all meaningful use objectives and any other specific grant requirements that are applicable (such as electronic transmission of quality measures to CMS in the second and subsequent payment years) are met.

NOTE 3 PATIENT SERVICE REVENUE, NET

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered during the period. WakeMed has presented its provision for uncollectible accounts as a direct reduction of patient service revenue. Based on management's interpretation of the requirements of GASB Statement No. 34, governmental health care organizations are required to present uncollectible accounts as a component of net patient service revenue rather than within operating expenses.

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NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

WakeMed has agreements with third-party payors that provide for payments to WakeMed at amounts different from its established rates. A summary of the payment arrangements with major third-party payors, which represent approximately 90% and 91% of the patient care provided in fiscal years 2014 and 2013, respectively, follows:

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge using a diagnosis related group (Medicare Severity Adjusted or "MSDRG") system. These rates vary according to patient classification, clinical diagnosis, and other factors. Certain defined medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. Inpatient capital costs are paid at prospectively determined rates as a component of the MSDRG payment. Certain Medicare outpatient services are paid based on APCs ("Ambulatory Payment Classifications"), the outpatient equivalent of MSDRGs. Other outpatient Medicare services are paid under a Medicare fee schedule and certain therapy charges are exempt from this payment method. WakeMed is reimbursed for cost-reimbursable items at a tentative rate, with final settlement determined after submission of annual cost reports by WakeMed and audits thereof by the Medicare administrative contractor. Medicare cost reports for WakeMed Raleigh Campus have been audited by the administrative contractor for cost report years through September 30, 2010. Medicare cost reports for WakeMed Cary Hospital have been audited by the administrative contractor for cost report years through September 30, 2008 along with cost report years September 30, 2010 and 2011.

Medicaid - The North Carolina Department of Health and Human Services Division of Medical Assistance ("DMA") pays hospitals a prospectively determined rate per discharge using a MSDRG system similar to Medicare for inpatient services. Outpatient services are paid an interim rate at the time of service with settlement occurring when the hospital files its annual cost report with DMA. WakeMed's Medicaid cost reports are audited by the Medicaid audit section as part of the Medicaid audit program. Medicaid cost reports for WakeMed Raleigh Campus and WakeMed Cary Hospital have been audited for cost report years through September 30, 2011.

WakeMed receives additional Medicaid payment through the North Carolina Medicaid Reimbursement Initiative Program. WakeMed recognized \$16,932 and \$16,798, of Medicaid Reimbursement Initiative funds as net patient service revenue during the years ended September 30, 2014 and 2013, respectively. At September 30, 2014 and 2013, WakeMed reserved Medicaid Reimbursement Initiative payments received of \$1,264 and \$1,387, respectively, which are included in due to third-party payors in the accompanying combined statements of net position.

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NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

In addition to the above, Medicaid began making supplemental Equity payments for inpatient and outpatient services and Upper Payment Limit ("UPL") payments for inpatient services. The Equity payment represents the difference in the projected cost of services to Medicaid eligible patients and the amount of the payments received from the regular Medicaid Program and the Medicaid Reimbursement Initiative Program. The amount of the UPL payment is the calculated difference between what Medicare would pay for the inpatient services rendered to Medicaid patients and what Medicaid otherwise pays. The effective date for the start of the Equity and UPL payments is January 1, 2011; however, the Federal Approval of the Medicaid State Plan Amendment did not occur until March of 2012. WakeMed participated in an assessment process authorized by the North Carolina General Assembly to support the nonfederal share of the payments.

The following table summarizes the benefit recognized by WakeMed related to these plans for the years ended September 30, 2014 and 2013:

	2014	2013
<u>Plan Year - 2013</u>		
UPL Payment	\$ -	\$ 53,779
Assessment Expense	-	21,911
Net Benefit	-	31,868
<u>Plan Year - 2014</u>		
UPL Payment	55,528	-
Assessment Expense	24,480	-
Net Benefit	31,048	-
Total Net Benefit	31,048	31,868
Reserve for Future Settlements	(1,388)	(1,347)
Total Benefit Recognized	\$ 29,660	\$ 30,521

At September 30, 2014 and 2013, WakeMed reserved Equity and UPL payments received of \$4,873 and \$3,487, respectively, which are included in due to third-party payors in the accompanying combined statements of net position.

Other - WakeMed has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to WakeMed under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates

For the years ended September 30, 2014 and 2013, net patient revenue decreased by \$371 and increased by \$3,756, respectively, as a result of changes in various third-party accruals and reserves.

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NOTE 3 PATIENT SERVICE REVENUE, NET (CONTINUED)

The health care industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditation, government health care participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Recently, government activity has increased with respect to investigations and/or allegations concerning possible violations of fraud and abuse statutes and/or regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. Management believes that WakeMed is in substantial compliance with the numerous government laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation as well as regulatory actions unknown or unasserted at this time. Management is proactively monitoring compliance with these matters through its Corporate Compliance Program to mitigate the inherent risks of operating in the health care industry. An annual assessment of the effectiveness of the Corporate Compliance Program is conducted and presented to the Board of Directors.

NOTE 4 DEPOSITS AND INVESTMENTS

Deposits

WakeMed's cash and cash equivalents and certain investments are placed in federally insured domestic banks which limit the amount of credit exposure. At September 30, 2014 and 2013, WakeMed's deposits had carrying values of \$80,460 and \$98,745, respectively, and bank balances of \$84,273 and \$107,353, respectively. Of the bank balances, \$3,088 was covered by federal depository insurance at September 30, 2014 and \$3,334 at September 30, 2013. Additionally, \$5,000 of the \$107,353 bank balance at September 30, 2013 was classified as a Certificate of Deposit Account Registry Service ("CDARS") thus the entire balance was covered by federal depository insurance.

Investments

At September 30, 2014, WakeMed's investments consisted of the following

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>4 or More Years</u>
U.S. Government Securities	\$ 144,366	\$ 10,326	\$ 80,868	\$ 53,172
Equity Securities	57,253	57,253	-	-
Corporate Debt Securities	234,724	73,789	96,977	63,958
Money Market Funds	5,751	5,751	-	-
Total	442,094	\$ 147,119	\$ 177,845	\$ 117,130
Less, Long-Term Investments	(73,543)			
Less, Internally Designated for Assets Whose Use is Limited	(28,902)			
Short-Term Investments	\$ 339,649			

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NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At September 30, 2013, WakeMed's investments consisted of the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less than 1 Year</u>	<u>1-3 Years</u>	<u>4 or More Years</u>
U S Government Securities	\$ 153,334	\$ 15,780	\$ 79,293	\$ 58,261
Equity Securities	67,538	67,538	-	-
Corporate Debt Securities	235,354	68,309	81,911	85,134
Money Market Funds	20,386	20,386	-	-
Total	476,612	\$ 172,013	\$ 161,204	\$ 143,395
Less, Long-Term Investments	(71,021)			
Less, Internally Designated for Assets Whose Use is Limited	(21,414)			
Short-Term Investments	<u>\$ 384,177</u>			

Long-term investments are comprised of equity securities and debt instruments with maturities in excess of one year that are intended to be held until maturity. All other investments are classified as short-term investments.

Interest Rate Risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of a fixed income investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The WakeMed Cash and Investment Policy provides for the impact of interest fluctuations by utilizing a diversified portfolio of cash and cash equivalents, fixed income and equity investments.

Credit Risk – With respect to fixed income investments, credit risk is the risk that an issuer or other counterparty to an investment will not fulfill their obligations as required by the fixed income security. The WakeMed Cash and Investment Policy requires Corporate bonds and notes must be at least Baa3 (or the equivalent rating) by at least two of the three major rating organizations (Moody's, Standard and Poor's and Fitch) when purchased. CMOs must be rated AAA (or equivalent) by at least two of the three major rating organizations. The average quality of the Portfolio must be A or higher. The use of any derivative financial instrument is not allowed without written permission of the Board, and the Policy specifically excludes certain derivative securities. Stocks are invested in a passive strategy utilizing a Standard and Poor's 500 replication fund.

Concentration of Credit Risk – Concentration of credit risk results from not adequately diversifying the investment portfolio. The WakeMed Cash and Investment Policy balances WakeMed's portfolio by distributing assets in the following manner: Cash and cash equivalents 11%, fixed income 79% and equity 10% thus limiting credit risk in any one portfolio. WakeMed also imposes allocation and weighting restrictions within its fixed income portfolio to further reduce exposure.

WAKEMED
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NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – Custodial credit risk is the risk that WakeMed will not be able to recover the value of its deposits, which would be exposed to credit risk if they are not insured and are uncollateralized. Fixed income and equity securities may be exposed to custodial credit risk if the securities are uninsured, are not registered in the name of WakeMed and are held by either the counterparty or the counterparty's trust department or agent, but not in WakeMed's name. At September 30, 2014 and 2013, all of WakeMed's securities are held by WakeMed in WakeMed's name and are therefore not exposed to custodial credit risk.

In general, investments are exposed to various risks, such as interest rate, credit and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect WakeMed's investment balance reported in the combined statements of net position.

Assets Whose Use is Limited

The composition of assets whose use is limited, stated at fair value at September 30, 2014 and 2013, is set forth in the following table:

	<u>2014</u>	<u>2013</u>
Series 2012A Bonds for Principal and Interest Payments:		
Cash and Cash Equivalents	\$ 12,693	\$ 12,618
Internally Designated	5,715	5,410
	<u>18,408</u>	<u>18,028</u>
Under Medical Malpractice and Workers' Compensation Self-Insurance Funding Arrangements - Held by Trustee:		
U.S. Government Securities	19,055	16,088
Corporate Bonds	11,450	10,163
Cash and Cash Equivalents	3,681	4,184
Accrued Interest Receivable	87	92
	<u>34,273</u>	<u>30,527</u>
Donor and Other Restricted:		
U S Government Securities	329	307
Cash and Cash Equivalents	5,052	5,463
Accrued Interest Receivable	1	1
Total Restricted	<u>5,382</u>	<u>5,771</u>
Internally Designated	23,187	16,004
	<u>28,569</u>	<u>21,775</u>
Total Assets Whose Use is Limited	81,250	70,330
Less, Portion Required for Current Liabilities	(18,408)	(18,028)
	<u>\$ 62,842</u>	<u>\$ 52,302</u>

WAKEMED
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NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

Assets Whose Use is Limited (Continued)

Investment income on investments and assets whose use is limited by the Board and under self-insurance arrangements for the years ended September 30, 2014 and 2013 consisted of the following:

	2014	2013
Interest and Dividend Income	\$ 10,810	\$ 12,252
Realized Gains on Sale of Investments, Net	902	4,201
Unrealized Gains (Losses) on Investments, Net	7,733	(1,179)
	<u>\$ 19,445</u>	<u>\$ 15,274</u>

NOTE 5 ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Patient accounts receivable and accounts payable (including accrued expenses) reported as current assets and liabilities by WakeMed at September 30, 2014 and 2013 consisted of these amounts:

	2014	2013
<u>Patient Accounts Receivable</u>		
Receivable from Patients and their Insurance	\$ 162,477	\$ 94,448
Receivable from Medicare	73,435	52,298
Receivable from Medicaid	34,127	53,637
	<u>270,039</u>	<u>200,383</u>
Less Allowance for Uncollectible Accounts	(89,718)	(41,353)
Patient Accounts Receivable, Net	<u>\$ 180,321</u>	<u>\$ 159,030</u>
<u>Accounts Payable and Accrued Liabilities</u>		
Payable to Employees (Including Payroll Taxes)	\$ 80,535	\$ 76,570
Payable to Suppliers	44,639	42,935
Other	17,894	17,857
Total Accounts Payable and Accrued Liabilities	<u>\$ 143,068</u>	<u>\$ 137,362</u>

NOTE 6 CAPITAL ASSETS

A summary of changes in capital assets for the years ended September 30, 2014 and 2013 is as follows:

	Balance September 30, 2013	Additions	Retirements/ Transfers	Balance September 30, 2014
Land and Land Improvements	\$ 43,922	\$ 289	\$ -	\$ 44,211
Buildings	668,948	27,857	(2,259)	694,546
Equipment	694,196	57,545	(24,762)	726,979
Construction-in-Progress	36,503	107,323	(68,017)	75,809
	<u>1,443,569</u>	<u>193,014</u>	<u>(95,038)</u>	<u>1,541,545</u>
Less, Accumulated Depreciation	(813,313)	(70,072)	25,863	(857,522)
	<u>\$ 630,256</u>	<u>\$ 122,942</u>	<u>\$ (69,175)</u>	<u>\$ 684,023</u>

WAKEMED
NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 6 CAPITAL ASSETS (CONTINUED)

	Balance September 30, 2012	Additions	Retirements/ Transfers	Balance September 30, 2013
Land and Land Improvements	\$ 41,314	\$ 2,701	\$ (93)	\$ 43,922
Buildings	643,917	26,911	(1,880)	668,948
Equipment	659,953	45,435	(11,192)	694,196
Construction-in-Progress	20,008	68,111	(51,616)	36,503
	1,365,192	143,158	(64,781)	1,443,569
Less, Accumulated Depreciation	(757,915)	(67,852)	12,454	(813,313)
	<u>\$ 607,277</u>	<u>\$ 75,306</u>	<u>\$ (52,327)</u>	<u>\$ 630,256</u>

Depreciation expense on property and equipment recorded during the years ended September 30, 2014 and 2013 was \$70,307 and \$68,263, respectively.

Net capitalized interest expenses of \$1,928 and \$893 for the years ended September 30, 2014 and 2013, respectively, were included in the cost of capital projects

NOTE 7 LONG-TERM DEBT

Long-term debt at September 30, 2014 and 2013 consisted of the following:

	2014	2013
2009B Variable Rate Bonds, Maturing from October 1, 2033 to October 1, 2038	\$ 75,000	\$ 75,000
2009C Variable Rate Refunding Bonds, Maturing from October 1, 2010 to October 1, 2026	66,815	70,765
2012A Serial Bonds, Maturing October 1, 2013 to October 1, 2023 with Interest Rates Ranging from 2.00% to 5.00%	74,440	80,395
2012A Term Bonds, Maturing October 1, 2024 to October 1, 2038 with Interest Rates Ranging from 4.00% to 5.00%	208,810	208,810
Other	15,882	17,062
	440,947	452,032
Plus, Unamortized Premium	19,089	19,884
Less, Current Maturities	(21,888)	(21,984)
	<u>\$ 438,148</u>	<u>\$ 449,932</u>

Effective July 11, 2012, WakeMed, through the North Carolina Medical Care Commission (the "Commission"), issued \$294,840 of Health Care Facilities Revenue Refunding Bonds, Series 2012A ("Series 2012A Bonds"). The proceeds, together with other available funds, were used to refund the outstanding Series 2001 and 2009A Serial and Term Bonds. The 2001 Bonds were subsequently redeemed on July 25, 2012 and the 2009A Bonds were defeased by placing funds in an irrevocable escrow fund to provide for all future debt service payments. Accordingly, the escrow fund assets and the liability for the defeased bonds are not included in the accompanying combined financial statements

Effective July 16, 2009, WakeMed, through the North Carolina Medical Care Commission (the "Commission"), issued \$81,780 of Health Care Facilities Revenue Refunding Bonds,

WAKEMED
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NOTE 7 LONG-TERM DEBT (CONTINUED)

Series 2009C ("Series 2009C Bonds"). The proceeds, together with other available funds, were used to refund the outstanding Series 1997 Serial and Term Bonds

Effective February 20, 2009, WakeMed, through the North Carolina Medical Care Commission (the "Commission"), issued \$169,750 of Health Care Facilities Revenue Bonds, Series 2009A ("Series 2009A Bonds") and \$75,000 of Health Care Facilities Revenue Bonds, Series 2009B ("Series 2009B Bonds"). The proceeds were used to finance the construction of certain capital additions as defined in the Bond Orders. The Series 2009A Bonds were defeased by the Series 2012A Bonds in July 2012.

Effective April 5, 2001, WakeMed, through the North Carolina Medical Care Commission (the "Commission"), issued \$150,000 of Health Care Facilities Revenue Bonds, Series 2001 ("Series 2001 Bonds"). The proceeds have been used to finance the construction of certain fixed assets as defined in the Series 2001 Bond Order. The Series 2001 Bonds were refunded by the Series 2012A Bonds and redeemed in July 2012. The deferred loss of \$4,340 is being amortized over the remaining life of the Series 2001 Bonds at the refunding date.

The Series 2009B, 2009C and 2012A Bonds are collateralized solely by the accounts of WakeMed, the Faculty Practice, and Property Services (collectively, the "Obligated Group") and all proceeds thereof. The master trust indenture requires the Obligated Group to, among other things, set rates at a level that will provide a certain long-term debt service coverage ratio (as defined in the master trust indenture). The trust agreement provides for future mandatory sinking fund redemptions and the maintenance of certain fund accounts. As of September 30, 2014 and 2013, management believes the Obligated Group was in compliance with such covenants.

At September 30, 2014 and 2013, \$210,597 and \$223,067, respectively, of bonds outstanding were considered defeased. The Series 1988 Bonds defeasance resulted in a loss of approximately \$5,832 which was fully recognized during fiscal year 1998. The Series 1993 Bonds defeasance resulted in a gain of approximately \$1,593 and the unamortized portion of approximately \$933 was fully recognized upon the refunding of the Series 1997 Bonds. WakeMed incurred a loss of approximately \$1,711 on the Series 1997 Bonds refunding which is being deferred and amortized over the lives of the Series 2009C Revenue Refunding Bonds. WakeMed's Series 2012A Bonds were issued in part to defease its outstanding Series 2009A Bonds which resulted in a loss of \$18,788 that is being deferred and amortized over the remaining lives of the Series 2012A Bonds.

WakeMed completed the Series 1997 Bond refunding to reduce total debt service payments over the next 18 years. The estimate, provided by the underwriter prior to issue was based on an average interest rate of 3.17% and Letter of Credit and Remarketing fees of 1.06%, and provided an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$5,634. The actual weighted average interest rate for 2014 and 2013 were 0.06% and 0.12%, respectively. On October 20, 2011 WakeMed and Wells Fargo signed new Letter of Credit and Marketing Letter Agreements, which reduced fees from 1.16% in 2011 to 1.06% and extended WakeMed's Letter of Credit until 2014. On September 8, 2014, the Letter of Credit Agreement was extended through 2017.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 7 LONG-TERM DEBT (CONTINUED)

WakeMed completed the Series 2001 and 2009A Bond refundings to reduce total debt service payments over the next 26 years. The estimate, provided by the underwriter prior to issue was based on an average interest rate of 4.65% and provided an economic gain (the difference between the present value of the old and new debt service payments) of approximately \$18,811.

A summary of changes in long-term debt for the years ended September 30, 2014 and 2013 is below.

	Balance September 30, 2013	Additions	Payments	Balance September 30, 2014
Fixed Rate Revenue Refunding Bonds	\$ 289,205	\$ -	\$ (5,955)	\$ 283,250
Variable Rate Revenue Bonds	75,000	-	-	75,000
Variable Rate Revenue Refunding Bonds	70,765	-	(3,950)	66,815
Other	17,062	292	(1,472)	15,882
	<u>\$ 452,032</u>	<u>\$ 292</u>	<u>\$ (11,377)</u>	<u>\$ 440,947</u>
	Balance September 30, 2012	Additions	Payments	Balance September 30, 2013
Fixed Rate Revenue Refunding Bonds	\$ 294,840	\$ -	\$ (5,635)	\$ 289,205
Variable Rate Revenue Bonds	75,000	-	-	75,000
Variable Rate Revenue Refunding Bonds	74,415	-	(3,650)	70,765
Other	13,662	4,463	(1,063)	17,062
	<u>\$ 457,917</u>	<u>\$ 4,463</u>	<u>\$ (10,348)</u>	<u>\$ 452,032</u>

Scheduled future debt service requirements of long-term debt for years subsequent to September 30, 2014 are as follows:

	Series 2009B Bonds	Series 2009C Bonds	Series 2012A Bonds	Other	Total Principal	Interest Payments	Total Debt Service
2015	\$ -	\$ 4,095	\$ 6,090	\$ 1,615	\$ 11,800	\$ 13,867	\$ 25,667
2016	-	4,250	6,295	1,727	12,272	13,550	25,822
2017	-	4,515	6,570	1,461	12,546	13,182	25,728
2018	-	4,565	6,890	1,565	13,020	12,806	25,826
2019	-	4,635	7,215	1,675	13,525	12,410	25,935
2020-2024	-	26,470	41,380	6,601	74,451	55,510	129,961
2025-2029	-	18,285	67,475	1,238	86,998	42,286	129,284
2030-2034	11,640	-	94,460	-	106,100	20,356	126,456
2035-2039	63,360	-	46,875	-	110,235	5,294	115,529
	<u>\$ 75,000</u>	<u>\$ 66,815</u>	<u>\$ 283,250</u>	<u>\$ 15,882</u>	<u>\$ 440,947</u>	<u>\$ 189,261</u>	<u>\$ 630,208</u>

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NOTE 7 LONG-TERM DEBT (CONTINUED)

Financial Statement Classification of Variable Rate Demand Bonds

The Series 2009B and 2009C Bonds are variable rate demand bonds. The interest rates on these bonds are indexed to a current short-term market rate. In addition, a demand feature allows the bondholders to give seven days' notice to require the bonds be remarketed at par value plus accrued interest. In the unlikely event remarketing fails, WakeMed can draw upon an irrevocable Letter of Credit with a financial institution to repay the bondholders. The current Letter of Credit expires on October 20, 2017. If WakeMed draws on the Letter of Credit, it will be obligated under the Reimbursement and Security Agreement to repay each tender advance, including interest at the Tender Advance Rate, as defined (approximately 9.00% at September 30, 2014) in ten semi-annual payments, beginning 180 days after the date the tender advance is made. Any remaining unpaid balance will be due upon the earlier of the first anniversary of the Letter of Credit termination date, or, if applicable, the date the bonds are remarketed. In accordance with U.S. generally accepted accounting principles, maturities of the Series 2009B and 2009C variable rate demand bonds are reported in the combined statements of net position under the Reimbursement and Security Agreement as follows:

	Series 2009B Bonds	Series 2009C Bonds	Series 2012A Bonds	Other	Total Principal	Interest Payments	Total Debt Service
2015	\$ 7,500	\$ 6,682	\$ 6,090	\$ 1,616	\$ 21,888	\$ 25,177	\$ 47,065
2016	15,000	13,363	6,295	1,726	36,384	23,680	60,064
2017	15,000	13,363	6,570	1,461	36,394	20,762	57,156
2018	15,000	13,363	6,890	1,565	36,818	17,837	54,655
2019	22,500	20,044	7,215	1,675	51,434	14,252	65,686
2020-2024	-	-	41,380	6,601	47,981	55,197	103,178
2025-2029	-	-	67,475	1,238	68,713	42,050	110,763
2030-2034	-	-	94,460	-	94,460	20,138	114,598
2035-2039	-	-	46,875	-	46,875	5,216	52,091
	<u>\$ 75,000</u>	<u>\$ 66,815</u>	<u>\$ 283,250</u>	<u>\$ 15,882</u>	<u>\$ 440,947</u>	<u>\$ 224,309</u>	<u>\$ 665,256</u>

Revolving Line of Credit

On August 28, 2013 WakeMed entered into a revolving line of credit agreement with a financial institution for an aggregate principal amount not to exceed \$50 million. As of September 30, 2014, WakeMed has not drawn on the revolving line of credit.

WAKEMED
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NOTE 8 PENSION AND CONTRIBUTION PLANS

Retirement Pension Plan

WakeMed has a noncontributory, defined benefit pension plan (the "Plan") covering all employees who are 20.5 years of age and have completed 6 months of employment. WakeMed's funding policy is based upon actuarially calculated amounts to fund normal pension costs and any unfunded accrued liability. The Plan is considered a governmental entity under Section 401(a) of the Internal Revenue Code of 1954. As such, accounting and reporting for the Plan is governed by GASB Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* ("GASB No. 27").

The Plan was frozen effective December 31, 2010. All active employed participants as of this date were vested immediately. No further compensation will be recognized after December 31, 2010.

The annual required contribution was computed as part of an actuarial valuation performed as of January 1, 2013 using the frozen entry age cost method. Significant actuarial assumptions used in the 2014 and 2013 valuations include the following

	2014	2013
Discount Rate	5.75%	5.75%
Rate of Return on Plan Assets	5.75%	5.75 %
Mortality	Section 430(h)(3)(A) of IRS Code	Section 430(h)(3)(A) of IRS Code
Projected Salary Increases	N/A	N/A

The method of computing the actuarial value of assets complies with rules governing the calculation of such values under GASB No. 27. These rules produce smoothed values that reflect the underlying market value of plan assets but fluctuate less than the market value. As a result, the actuarial value of assets will be lower than the market value in some years and greater in other years.

The annual pension cost and net pension obligation were as follows for the years ended September 30, 2014 and 2013:

	2014	2013
Annual Pension Cost	\$ (1,251)	\$ (481)
Contributions Made	-	-
Decrease in Prepaid Pension Obligation	(1,251)	(481)
Prepaid Pension Obligation		
Beginning of Year	2,319	2,800
End of Year	<u>\$ 1,068</u>	<u>\$ 2,319</u>

WAKEMED
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NOTE 8 PENSION AND CONTRIBUTION PLANS (CONTINUED)

Retirement Pension Plan (Continued)

Three-year Trend Information

	Annual Pension Cost	Actual Contributions	Annual Contributions as a Percentage of Annual Pension Cost	Net Pension Asset
2012	\$ 347	\$ 1,851	533%	\$ 2,800
2013	481	-	0%	2,319
2014	879	-	0%	1,440

As of January 1, 2014, the most recent actuarial date, the Plan was 105.10% funded on an accounting basis. The actuarial accrued liability for benefits was \$115,860 and the actuarial value of assets was \$121,765.

The schedule of funding progress, presented as Required Supplementary Information following the Notes to the Combined Financial Statements, presents multi-year trend information about whether the actuarial value of assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Retirement Savings Plan

WakeMed has a contributory, defined contribution retirement plan (the "Retirement Plan"), which covers all employees who have worked a minimum of 1,000 hours per year as defined in the Retirement Plan. WakeMed matched 50% of the participant's contributions up to 6% of the participant's salary.

WakeMed contributed approximately \$9,586 and \$9,686 to the Retirement Plan in fiscal years 2014 and 2013, respectively. WakeMed employees contributed approximately \$26,985 and \$27,057 in fiscal years 2014 and 2013, respectively. All costs are funded as accrued, and participants are 100% vested in the contributions to the Retirement Plan from WakeMed after three calendar years of service with a minimum of 1,000 hours worked in each year.

During 2012, WakeMed added an automatic employer contribution of 3% of each employee's annual salary to the Retirement Savings Plan. WakeMed contributed \$13,828 and \$14,786 to the plan in fiscal years 2014 and 2013, respectively. The same vesting requirement must be met as for WakeMed match contribution.

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NOTES TO COMBINED FINANCIAL STATEMENTS
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NOTE 8 PENSION AND CONTRIBUTION PLANS (CONTINUED)

457(f) Deferred Compensation Plan

During 2012 WakeMed initiated an unfunded defined contribution 457(f) deferred compensation plan for the physicians and executives. Depending on the extent to which certain fiscal and personal performance goals are met, WakeMed makes a contribution of a percentage up to 4%, as determined by the Board, of the eligible employee's salary each year. All costs are unfunded and participants become 100% vested in each annual contribution and related earnings at the earliest of February 1 following the 4th anniversary or for all years of contributions as of the normal retirement date, death or separation due to disability or separation without cause. WakeMed contributed approximately \$424 to plan year 2012 during the year ended September 30, 2013. No contributions were made to plan year 2013 during the year ended September 30, 2013 as a result of required system targets not being attained. WakeMed accrued \$1,482 for plan year 2014 during the year ended September 30, 2014. The contribution amounts are included in salaries, wages and employee benefits in the accompanying combined statements of revenues, expenses and changes in net position for the years ended September 30, 2014 and 2013.

NOTE 9 GAIN SHARE PROGRAM

WakeMed provides a gain share program ("WakeShare") for employees meeting certain requirements. WakeShare encourages process improvements and cost savings within the organization. Depending on the extent to which certain financial, customer satisfaction and quality outcome goals are met, each eligible employee earns up to 2% of payroll earnings per goal. WakeMed met at least a portion of each goal in 2014 and 2013. There was no WakeShare expense recorded for the years ended September 30, 2014 and 2013 as a result of the required system targets not being attained.

NOTE 10 RISK MANAGEMENT

WakeMed is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. WakeMed is self-insured for medical malpractice and workers' compensation up to the various limits discussed below. WakeMed has purchased commercial insurance to cover losses exceeding the self-insurance limits.

Estimated Malpractice Costs

WakeMed is self-insured for medical malpractice risks up to \$4,000 per claim, \$17,000 aggregate and \$2,000/\$2,000 buffer on a claims-made basis. In addition, WakeMed has excess coverage policies, which are limited to annual costs of \$75,000. Effective October 1, 2007, the Faculty Practice physicians were included in the self-insured coverage.

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NOTE 10 RISK MANAGEMENT (CONTINUED)

Estimated Malpractice Costs (Continued)

Losses from asserted claims and from unasserted claims identified under WakeMed's incident reporting system, and possible losses attributable to incidents that may have occurred but that have not been identified under the incident reporting system, are accrued based on estimates that incorporate WakeMed's past experience, as well as other considerations including the nature of each claim or incident and relevant trend factors. Such estimates are prepared by an independent actuary. Accrued malpractice losses have been discounted at a rate of 2.1% for both fiscal years 2014 and 2013.

The following is a summary of the activity in the liability for medical malpractice claims. These amounts are included in other noncurrent liabilities in the accompanying combined statements of net position for the years ended September 30, 2014 and 2013:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
2014	<u>\$ 20,829</u>	<u>\$ 2,396</u>	<u>\$ (1,745)</u>	<u>\$ 21,480</u>
2013	<u>\$ 21,088</u>	<u>\$ 5,816</u>	<u>\$ (6,075)</u>	<u>\$ 20,829</u>

Undiscounted estimated malpractice losses were \$24,731 and \$25,261 at September 30, 2014 and 2013, respectively.

During 2011, WakeMed moved the balance from the existing revocable trust fund, for the payment of medical malpractice claim settlements, to a captive insurance policy (see Note 2). The Dogwood Captive enables WakeMed direct access to reinsurers, provision of broader coverage and intergration with an overall risk management plan. Independent actuaries were retained to assist WakeMed with determining amounts to be transferred to the Dogwood Captive.

Workers' Compensation

WakeMed is self-insured for workers' compensation claims with an excess coverage (stop-loss) policy that covers annual workers' compensation claims in excess of retentions of \$500 per claim and \$5,000 for all aggregate claims, with excess coverage of \$1,000 per claim and \$5,000 aggregate. WakeMed has utilized independent actuaries to estimate the ultimate cost of the self-insurance portion of the settlement of such claims. WakeMed's workers' compensation liability recorded within accounts payable and accrued liabilities in the accompanying combined statements of net position was \$5,573 and \$5,668, at September 30, 2014 and 2013, respectively. Workers' compensation expense recorded within salaries, wages, and employee benefits in the accompanying combined statements of revenue, expenses, and changes in net position for the years ended September 30, 2014 and 2013 was \$1,870 and \$1,252, respectively.

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NOTE 11 CONCENTRATIONS OF CREDIT RISK

WakeMed provides services primarily to the residents of Wake and surrounding counties without collateral or other proof of ability to pay. Concentrations of credit risk with respect to patient accounts receivable are limited due to the large number of patients served and the formalized agreements with third-party payors (see Note 3). WakeMed has significant gross patient accounts receivable (approximately 47% and 56%, respectively, in 2014 and 2013) whose collectability or realizability is dependent upon the performance of certain governmental programs, primarily Medicare and Medicaid. Management does not believe there are significant credit risks associated with these governmental programs. With respect to the self-pay portion of patient accounts receivable, an allowance for uncollectible accounts is provided in an amount equal to the estimated losses to be incurred in collection of the receivables.

The allowance is based on historical collection experience and a review of the current status of the existing receivables. As of September 30, 2014 and 2013, WakeMed's gross patient accounts receivable consisted of the following payors:

	<u>2014</u>	<u>2013</u>
Managed Care	19 %	20 %
Medicare	30	33
Medicaid	17	23
Patients	29	17
Commercial	2	3
Other	3	4
	<u>100 %</u>	<u>100 %</u>

NOTE 12 COMMITMENTS AND CONTINGENCIES

At September 30, 2014, WakeMed had contractual commitments of approximately \$25.6 million for the construction and renovation of various facilities, 95% of which is for the North Hospital, Emergency Power Switching System at Raleigh, and the North Hospital parking deck.

WakeMed utilizes operating leases for various types of equipment and facilities. Rental expense relating to these leases was \$8,246 and \$8,308 in fiscal years 2014 and 2013, respectively. At September 30, 2014, future minimum lease payments due under operating leases with initial or remaining noncancelable lease terms in excess of one year are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 4,612
2016	4,065
2017	3,558
2018	2,008
2019	1,847
2020-2024	3,395
	<u>\$ 19,485</u>

WAKEMED
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 12 COMMITMENTS AND CONTINGENCIES (CONTINUED)

Self-Insured Health Insurance

WakeMed self-insures its employees' health and dental plan. It has contracted with administrative service companies to supervise and administer the programs and act as its representative. Provisions for expected future payments are accrued based on WakeMed's experience and include amounts for claims filed and claims incurred but not reported.

NOTE 13 THE HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT

The Health Insurance Portability and Accountability Act ("HIPAA") was enacted August 21, 1996 to ensure health insurance portability, reduce health care fraud and abuse, guarantee security and privacy of health information, and enforce standards for health information. Organizations were required to be in compliance with certain HIPAA provisions beginning April 2003. Organizations are subject to fines and penalties if found not to be compliant with the provisions outlined in the regulations. On January 25, 2013, the Department of Health and Human Services (HHS) Office for Civil Rights (OCR) published its final omnibus rule modifying HIPAA as required by Health Information Technology for Economic and Clinical Health (HITECH) Act and the Genetic Information Nondiscrimination Act of 2008 (GINA). The final omnibus became effective on September 23, 2013. The modifications enhance patients' protections, strengthen HHS' enforcement abilities and attempt to reduce cost and increase flexibilities under the HIPAA rules. Management has evaluated the impact of this legislation on its operations and has implemented necessary changes to information systems and to operational processes to comply with the legislation. Implemented processes include provisions to comply with HITECH.

NOTE 14 MINIMUM FUTURE RENTAL INCOME ON NONCANCELABLE OPERATING LEASES

WakeMed and Property Services lease office and retail space in WakeMed Clayton Medical Park in Johnston County, WakeMed Heart Center, Raleigh Medical Park, and the Raleigh campus hospital to professional associations under various lease terms. Property Services also leases land in Wake County to developers for the Raleigh Medical Park, Brier Creek Healthplex and Physicians Office Pavilion Medical Building adjacent to WakeMed North Healthplex. The minimum future rental income on noncancelable operating leases with initial or remaining lease terms in excess of one year are as follows:

<u>Year Ending September 30,</u>	
2015	\$ 1,235
2016	1,213
2017	1,020
2018	347
2019	177
2020-2024	735
	<u>\$ 4,727</u>

WAKEMED
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 15 RESTRICTED NET POSITION

Donor restricted net position as of September 30, 2014 and 2013 are restricted for the following purposes.

	2014	2013
Indigent Care Programs	\$ 197	\$ 230
Children's Programs	6,301	10,068
Education Programs	322	509
Patient Care Programs	27,502	24,953
Endowment Funds	2,282	2,103
	<u>\$ 36,604</u>	<u>\$ 37,863</u>

NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM

The Electronic Health Record (EHR) incentive program was enacted as part of the American Recovery and Reinvestment Act of 2009 (ARRA) and the Health Information Technology for Economic and Clinical Health (HITECH) Act. These Acts provided for incentive payments under both the Medicare and Medicaid programs to eligible hospitals that demonstrate meaningful use of certified EHR technology. The incentive payments are made based on a statutory formula and are contingent on WakeMed continuing to meet the escalating meaningful use criteria. For the first payment year, WakeMed must attest, subject to an audit, that it met the meaningful use criteria for a continuous 90-day period. For the subsequent payment year, WakeMed must demonstrate meaningful use for the entire year. The incentive payments are generally made over a 4-year period.

WakeMed's physician practices demonstrated meaningful use for the 90-day period ended September 30, 2014 and 2013, and received tentative incentive payments of approximately \$831 and \$21 for Medicare and Medicaid, respectively, in 2014 and payments of approximately \$1,046 and \$557 for Medicare and Medicaid, respectively, in 2013. The \$1,603 received is recognized as other operating revenue in the statements of revenues, expenses, and changes in net position. The final amount of this payment will be determined based on information from WakeMed's Medicare cost report for the year ended September 30, 2014. Events could occur that would cause the final payment to differ materially upon final settlement.

WakeMed's hospitals demonstrated meaningful use for the 90-day periods ended September 30, 2014 and September 26, 2013. During 2014 WakeMed received \$5,248 and \$2,051 for Medicare and Medicaid, respectively, for the hospital's demonstration for the 90-day period ended September 30, 2013. The funds pertaining to hospitals' demonstration for the 90-day period ended September 30, 2014 were not received as of the fiscal year end. WakeMed expects to receive approximately \$3,456 and \$1,548 for Medicare and Medicaid, respectively, as a result of the hospitals' demonstration for the 90-day period ended September 30, 2014. A receivable of \$5,004 is included in other receivables on the statement of net position. Of the \$5,004 expected to be received, \$4,731 is recognized as other operating revenue in the statements of revenues, expenses, and changes in net position with the remaining \$273 reserved and included in the due to third-party payors in the accompanying combined statements of net position.

WAKEMED
NOTES TO COMBINED FINANCIAL STATEMENTS
SEPTEMBER 30, 2014 AND 2013
(IN THOUSANDS)

NOTE 16 ELECTRONIC HEALTH RECORD INCENTIVE PROGRAM (CONTINUED)

The hospitals recognized \$6,549 as other operating revenue for the year ended September 30, 2013 and reserved \$362, which is included in the due to third-party payors in the accompanying combined statements of net position. The final amount of the payment for the hospitals' demonstration for the period ended September 30, 2014 will be determined based on information from WakeMed's Medicare cost report for the year ended September 30, 2014. Events could occur that would cause the final payment to differ materially upon final settlement.

SUPPLEMENTARY INFORMATION

WAKEMED
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (UNAUDITED)
RETIREMENT PENSION PLAN
SEPTEMBER 30, 2014
(IN THOUSANDS)

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (a - b)	Funded Ratio (a / b)	Covered Payroll (c)	Unfunded AAL as Percent of Covered Payroll ((b - a) / c)
January 1, 2014	\$ 121,764	\$ 115,860	\$ (5,904)	105.10 %	N/A	N/A
January 1, 2013	120,393	117,610	(2,783)	102.37	N/A	N/A
January 1, 2012	125,923	116,988	(8,935)	107.64	N/A	N/A
January 1, 2011	127,252	118,221	(9,031)	107.64	N/A	N/A
January 1, 2010	120,262	123,078	2,816	97.71	\$ 371,045	0.76 %
January 1, 2009	102,238	105,312	3,074	97.08	389,618	0.79

WAKEMED
COMBINING STATEMENT OF NET POSITION
SEPTEMBER 30, 2014
(IN THOUSANDS)

	Wakemed Facility Practice Plan	Wakemed Property Services	Eliminations	Combined Obligated Group	Wake Orthopaedics, LLC	Cardiac Innovations, LLC	Wakemed Foundation	Wake Specialty Physicians, LLC	CSAMS New Barn Avenue LLC	Eliminations	2014 Combined	2013 Combined
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES												
CURRENT ASSETS												
Cash and Cash Equivalents	\$ 69,784	\$ (34)	\$ -	\$ 69,750	\$ -	\$ 88	\$ 5,575	\$ 5,047	\$ -	\$ -	\$ 80,460	\$ 98,745
Short-Term Investments	339,191	-	-	339,191	-	-	458	-	-	-	339,649	384,177
Patient Accounts Receivable, Net	166,261	931	-	167,192	-	-	-	13,129	-	-	180,321	159,030
Other Receivables	55,724	44	(4,987)	50,781	-	-	41	(13,473)	-	-	37,349	34,379
Inventories	21,187	-	-	21,187	-	-	-	100	-	-	21,287	19,388
Prepaid Expenses and Other	-	-	-	-	-	-	-	-	-	-	-	-
Current Assets	10,913	-	174	11,087	-	-	61	167	-	-	11,315	10,906
Assets Whose Use is Limited	18,408	-	-	18,408	-	-	-	-	-	-	18,408	18,028
Total Current Assets	881,468	941	(4,813)	877,596	-	88	6,135	4,970	-	-	888,789	724,663
CAPITAL ASSETS, NET												
	571,951	-	102,441	674,392	-	-	-	9,317	314	-	684,023	630,256
ASSETS WHOSE USE IS LIMITED, NET												
	62,842	-	-	62,842	-	-	-	-	-	-	62,842	52,302
OTHER ASSETS												
Long-Term Investments	49,785	-	-	49,785	-	-	23,758	-	-	-	73,543	71,021
Investment in Affiliates and Other Assets	(18,971)	-	4,887	(14,084)	-	-	5,854	256	464	37,670	30,160	33,108
Prepaid Pension Obligation	1,068	-	-	1,068	-	-	-	-	-	-	1,068	2,319
Total Other Assets	31,882	-	4,887	36,769	-	-	29,612	256	464	37,670	104,771	106,448
Total Assets	1,348,143	941	102,515	1,451,599	-	88	35,747	14,543	778	37,670	1,540,425	1,519,659
DEFERRED OUTFLOWS OF RESOURCES												
Loss on Refunding of Long-Term Debt	22,225	-	-	22,225	-	-	-	-	-	-	22,225	23,254
Total Assets and Deferred Outflows of Resources	\$ 1,370,368	\$ 941	\$ 102,515	\$ 1,473,824	\$ -	\$ 88	\$ 35,747	\$ 14,543	\$ 778	\$ 37,670	\$ 1,562,650	\$ 1,536,913

WAKEMED
COMBINING STATEMENT OF NET POSITION (CONTINUED)
SEPTEMBER 30, 2014
(IN THOUSANDS)

	Wakemed Facility Practice Plan	Wakemed Property Services	Eliminations	Combined Obligated Group	Wake Orthopaedics, LLC	Cardiac Innovations, LLC	Wakemed Foundation	Wake Specialty Physicians, LLC	CSAMS NewBarn Avenue LLC	Eliminations	2014 Combined	2013 Combined
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION												
CURRENT LIABILITIES												
Current Maturities of Long-Term Debt	\$ 20,619	\$ -	\$ -	\$ 21,888	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,888	\$ 21,984
Accounts Payable and Accrued Liabilities	120,889	256	-	121,452	-	-	8	21,609	-	(1)	143,068	137,362
Due to Third-Party Payors	22,771	-	-	22,771	-	-	-	-	-	-	22,771	20,878
Unearned Revenue	342	-	-	422	-	-	87	-	-	-	509	371
Total Current Liabilities	164,631	256	-	165,533	-	-	95	21,609	-	(1)	188,236	180,595
LONG-TERM DEBT, LESS CURRENT MATURITIES												
	424,245	-	-	430,148	-	-	-	-	-	-	438,148	449,932
OTHER NONCURRENT LIABILITIES												
Total Liabilities	21,588	1,039	-	22,627	-	-	9	159	-	-	22,795	22,782
	610,464	256	-	627,308	-	-	104	21,768	-	(1)	649,179	655,309
DEFERRED INFLOWS OF RESOURCES												
Advanced Receipts of Grant Proceeds	618	-	-	618	-	-	-	-	-	-	618	675
NET POSITION												
Net Investment in Capital Assets	149,312	-	-	236,582	-	-	-	9,317	314	-	246,213	181,594
Restricted by Donors	961	-	-	961	-	-	35,643	-	-	-	36,604	37,863
Restricted for Debt Service and Capital Purchases	12,693	-	-	12,693	-	-	-	-	-	-	12,693	12,618
Unrestricted	596,320	(1,343)	-	595,662	-	88	-	(16,542)	464	37,671	617,343	650,864
Total Net Position	759,286	685	-	845,698	-	88	35,643	(7,225)	778	37,671	912,853	882,929
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 1,370,368	\$ 941	\$ -	\$ 1,473,824	\$ -	\$ 88	\$ 35,747	\$ 14,543	\$ 778	\$ 37,670	\$ 1,552,650	\$ 1,536,913

WAKEMED
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED SEPTEMBER 30, 2014
(IN THOUSANDS)

	Wakemed	Wakemed Faculty Practice Plan	Wakemed Property Services	Eliminations	Combined Obligated Group	Wakemed Orthopaedics, LLC	Centrac Innovations, LLC	Wakemed Foundation	Wakemed Specialty Physicians, LLC	CSAMS New Bern Avenue LLC	Eliminations	2014 Combined	2013 Combined
PATIENT SERVICE REVENUE, NET	\$ 897,798	\$ 32,035	\$ -	\$ -	\$ 929,823	\$ 9,142	\$ -	\$ -	\$ 53,784	\$ -	\$ -	\$ 1,002,749	\$ 985,777
OTHER OPERATING REVENUE	31,074	556	13,768	(9,481)	35,917	1,098	4	1,334	6,226	-	(5,862)	38,417	36,984
Total Operating Revenue	928,862	32,591	13,768	(9,481)	965,740	10,240	4	1,334	70,010	-	(5,862)	1,041,166	1,022,671
LABOR EXPENSES													
Salaries, Wages and Employee Benefits	510,975	-	406	-	511,381	5,318	-	766	63,368	-	-	580,833	585,180
Contract Nursing	683	-	-	-	683	-	-	-	-	-	-	683	2,436
Other Contract Labor	10,180	-	-	-	10,180	2,555	-	34	14,856	-	(228)	27,177	26,487
Total Labor Expenses	521,818	-	406	-	522,224	7,873	-	800	78,024	-	(228)	608,693	614,103
OTHER OPERATING EXPENSES													
Supplies, Purchased Services and Other	287,606	-	11,949	(9,163)	290,392	1,521	4	5,143	17,421	2	(9,550)	304,933	301,885
Professional Fees	40,085	-	1	(318)	39,768	18	-	18	1,269	-	(377)	40,596	39,206
Depreciation	63,981	-	4,129	-	68,110	168	2	-	1,876	151	-	70,307	68,263
Interest Expense	11,724	-	626	-	12,350	-	-	-	-	-	-	12,350	13,642
Total Other Operating Expenses	403,396	-	16,705	(9,481)	410,620	1,707	6	5,161	20,565	153	(9,927)	428,266	422,986
Total Expenses	925,214	-	17,111	(9,481)	932,844	9,580	8	5,961	98,590	153	(10,155)	1,036,979	1,037,099
INCOME (LOSS) FROM OPERATIONS	3,643	32,591	(3,343)	-	32,886	660	(2)	(4,927)	(28,580)	(153)	4,293	4,187	(14,428)
NONOPERATING REVENUE, NET													
Investment Income	16,514	-	151	-	16,665	-	-	2,751	29	-	-	19,445	15,274
Other, Net	(21,873)	-	(513)	-	(22,383)	-	2	-	(9)	-	28,052	5,662	5,639
Total Nonoperating Revenue, Net	(5,359)	-	(362)	-	(5,713)	-	2	2,751	20	-	28,052	25,107	20,913
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(1,708)	32,591	(3,705)	-	27,178	660	-	(2,176)	(28,560)	(153)	32,345	29,294	6,485
CAPITAL CONTRIBUTIONS AND TRANSFERS, NET													
	22,128	(35,561)	11,541	-	(1,882)	(4,602)	-	936	10,545	2	(4,359)	630	2,620
CHANGE IN NET POSITION	\$ 20,420	\$ (2,970)	\$ 7,836	\$ -	\$ 25,286	\$ (3,942)	\$ -	\$ (1,240)	\$ (18,015)	\$ (151)	\$ 27,986	\$ 29,924	\$ 9,105

Note: The results of Wake Faculty Practice Plan, Inc. are driven by professional fee revenue; however, the related expenses reside primarily in WakeMed.
(45)