DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Balance Sheets (Unaudited)
September 30, 2018 and 2017
($000's Omitted)

<table>
<thead>
<tr>
<th>Assets</th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$354,487</td>
<td>197,736</td>
</tr>
<tr>
<td>Patient accounts receivable, net</td>
<td>418,394</td>
<td>368,341</td>
</tr>
<tr>
<td>Other receivables</td>
<td>48,486</td>
<td>50,777</td>
</tr>
<tr>
<td>Due from the University, net</td>
<td>-</td>
<td>5,379</td>
</tr>
<tr>
<td>Inventories of drugs and supplies</td>
<td>93,494</td>
<td>88,027</td>
</tr>
<tr>
<td>Other assets</td>
<td>36,764</td>
<td>30,333</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>359,281</td>
<td>436,451</td>
</tr>
<tr>
<td>Assets limited as to use</td>
<td>18,492</td>
<td>30,703</td>
</tr>
<tr>
<td><strong>Total current assets</strong></td>
<td>$1,329,398</td>
<td>1,207,747</td>
</tr>
<tr>
<td>Assets limited as to use</td>
<td>84,613</td>
<td>82,102</td>
</tr>
<tr>
<td>Investments</td>
<td>3,202,398</td>
<td>2,920,764</td>
</tr>
<tr>
<td>Property and equipment, net</td>
<td>1,587,934</td>
<td>1,478,385</td>
</tr>
<tr>
<td>Due from the University</td>
<td>394</td>
<td>534</td>
</tr>
<tr>
<td>Derivative instruments</td>
<td>846</td>
<td>-</td>
</tr>
<tr>
<td>Other noncurrent assets</td>
<td>48,254</td>
<td>42,062</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$6,253,837</td>
<td>5,731,594</td>
</tr>
</tbody>
</table>

**Liabilities and Net Assets**

| Current Liabilities:        |             |             |
| Accounts payable            | $147,852    | 115,179     |
| Due to the University, net  | 2,090       | -           |
| Other current liabilities   | 61,755      | 59,338      |
| Accrued salaries, wages and vacation payable | 189,774    | 175,942     |
| Estimated third-party payor settlements, net | 2,338     | 4,554       |
| Current portion of postretirement and postemployment benefit obligations | 7,540   | 6,145       |
| Current portion of indebtedness | 23,760     | 23,340      |
| Current portion of capital lease obligations | 1,900   | 1,563       |
| Current portion of estimated professional liability costs | 16,611 | 16,276      |
| **Total current liabilities** | 453,620    | 402,337     |
| Other noncurrent liabilities | 40,744      | 38,263      |
| Postretirement and postemployment benefit obligations, net of current portion | 277,326 | 413,973      |
| Indebtedness, net of current portion | 1,602,858  | 1,631,492   |
| Capital lease obligations, net of current portion | 128,038 | 123,797   |
| Derivative instruments      | 51,735      | 79,195      |
| Estimated professional liability costs, net of current portion | 32,493 | 31,005      |
| **Total liabilities**       | 2,586,814   | 2,720,062   |

**Net Assets:**

| Unrestricted                | 3,608,713    | 2,954,486   |
| Temporarily restricted      | 43,940       | 42,882      |
| Permanently restricted      | 14,370       | 14,164      |
| **Total net assets**        | 3,667,023    | 3,011,532   |

**Total liabilities and net assets**

$6,253,837 | 5,731,594
**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**
Consolidated Statements of Operations (Unaudited)
For the Three Months Ended September 30, 2018 and 2017
($000's Omitted)

<table>
<thead>
<tr>
<th>Unrestricted revenues, gains and other support:</th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenue</td>
<td>$851,993</td>
<td>818,824</td>
</tr>
<tr>
<td>Other revenue</td>
<td>51,885</td>
<td>48,222</td>
</tr>
<tr>
<td><strong>Total unrestricted revenues, gains and other support</strong></td>
<td><strong>903,878</strong></td>
<td><strong>867,046</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and benefits</td>
<td>410,506</td>
<td>385,898</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>223,476</td>
<td>209,531</td>
</tr>
<tr>
<td>Interest</td>
<td>14,298</td>
<td>14,931</td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,106</td>
<td>39,021</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>166,884</td>
<td>163,288</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>855,270</strong></td>
<td><strong>812,669</strong></td>
</tr>
</tbody>
</table>

| **Operating income**                          | 48,608    | 54,377    |

<table>
<thead>
<tr>
<th>Non-operating income:</th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investment gain</td>
<td>18,037</td>
<td>49,844</td>
</tr>
<tr>
<td>Loss on extinguishment of debt</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other</td>
<td>4,517</td>
<td>929</td>
</tr>
<tr>
<td><strong>Total non-operating income</strong></td>
<td><strong>22,554</strong></td>
<td><strong>50,773</strong></td>
</tr>
</tbody>
</table>

| **Excess of revenues over expenses**          | 71,162    | 105,150   |

| Change in funded status of defined benefit plans | 399     | 1,439     |

| Net assets released from restrictions for purchase of property and equipment | 16     | -         |

| Transfers to the University, net              | (23,965) | (25,142) |

| **Increase in unrestricted net assets**       | $47,612  | 81,447    |


DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Three Months Ended September 30, 2018 and 2017
($000's Omitted)

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Excess of revenues over expenses</td>
<td>$71,162</td>
<td>105,150</td>
</tr>
<tr>
<td>Change in funded status of defined benefit plans</td>
<td>399</td>
<td>1,439</td>
</tr>
<tr>
<td>Net assets released from restrictions for purchase of property and equipment</td>
<td>16</td>
<td>-</td>
</tr>
<tr>
<td>Transfers to the University, net</td>
<td>(23,965)</td>
<td>(25,142)</td>
</tr>
<tr>
<td>Increase in unrestricted net assets</td>
<td>47,612</td>
<td>81,447</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temporarily restricted net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions for restricted purposes</td>
<td>166</td>
<td>(89)</td>
</tr>
<tr>
<td>Transfers to the University, net</td>
<td>-</td>
<td>(249)</td>
</tr>
<tr>
<td>Net assets released from restrictions used for operations</td>
<td>(877)</td>
<td>(630)</td>
</tr>
<tr>
<td>Net assets released from restrictions for purchase of property and equipment</td>
<td>(16)</td>
<td>-</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td>74</td>
<td>378</td>
</tr>
<tr>
<td>Decrease in temporarily restricted net assets</td>
<td>(653)</td>
<td>(590)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanently restricted net assets:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions for endowment funds</td>
<td>66</td>
<td>1</td>
</tr>
<tr>
<td>Transfers from the University, net</td>
<td>-</td>
<td>200</td>
</tr>
<tr>
<td>Net realized and unrealized gains</td>
<td>270</td>
<td>258</td>
</tr>
<tr>
<td>Increase in permanently restricted net assets</td>
<td>336</td>
<td>459</td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>47,295</td>
<td>81,316</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net assets, beginning of year</td>
<td>3,619,728</td>
<td>2,930,216</td>
</tr>
<tr>
<td>Net assets, end of period $</td>
<td>3,667,023</td>
<td>3,011,532</td>
</tr>
</tbody>
</table>
### DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

**Consolidated Statements of Cash Flows (Unaudited)**

For the Three Months Ended September 30, 2018 and 2017

($000's Omitted)

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from operating activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$47,295</td>
<td>81,316</td>
</tr>
<tr>
<td>Adjustments to reconcile increase in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,106</td>
<td>39,021</td>
</tr>
<tr>
<td>Investment income</td>
<td>(18,111)</td>
<td>(50,222)</td>
</tr>
<tr>
<td>Net loss (gain) on other investments and disposals of property and equipment</td>
<td>(4,324)</td>
<td>902</td>
</tr>
<tr>
<td>Transfers to the University, net</td>
<td>23,965</td>
<td>25,191</td>
</tr>
<tr>
<td>Restricted contributions received for long-term capital projects</td>
<td>-</td>
<td>473</td>
</tr>
<tr>
<td>Permanently restricted contributions and associated realized and unrealized gains (Increase) decrease in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Patient accounts receivable</td>
<td>2,587</td>
<td>(3,156)</td>
</tr>
<tr>
<td>Due from the University, net</td>
<td>9,900</td>
<td>(3,533)</td>
</tr>
<tr>
<td>Other receivables</td>
<td>(13,524)</td>
<td>(19,666)</td>
</tr>
<tr>
<td>Inventories of drugs and supplies</td>
<td>(200)</td>
<td>(1,565)</td>
</tr>
<tr>
<td>Other assets</td>
<td>(9,424)</td>
<td>(6,937)</td>
</tr>
<tr>
<td>Increase (decrease) in:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>(5,320)</td>
<td>3,427</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>20,687</td>
<td>18,322</td>
</tr>
<tr>
<td>Accrued salaries, wages and vacation payable</td>
<td>571</td>
<td>(485)</td>
</tr>
<tr>
<td>Estimated third-party payor settlements, net</td>
<td>492</td>
<td>(8,968)</td>
</tr>
<tr>
<td>Postretirement and postemployment benefit obligation</td>
<td>2,698</td>
<td>3,487</td>
</tr>
<tr>
<td>Other noncurrent liabilities</td>
<td>815</td>
<td>308</td>
</tr>
<tr>
<td>Estimated professional liability costs</td>
<td>3,696</td>
<td>1,983</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td>101,573</td>
<td>77,636</td>
</tr>
</tbody>
</table>

| **Cash flows from investing activities:** |           |           |
| Capital expenditures            | (69,552)  | (35,959)  |
| Decrease in assets limited as to use | 496 | 469 |
| Sales of investments            | 406,670   | 979,357   |
| Purchases of investments        | (338,968) | (977,456) |
| Proceeds from sale of fixed assets | - | 49 |
| Decrease (increase) in other assets | (849) | 1,190 |
| Net cash used in investing activities | (2,203) | (32,350) |
DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Three Months Ended September 30, 2018 and 2017
($000's Omitted)

<table>
<thead>
<tr>
<th></th>
<th>9/30/2018</th>
<th>9/30/2017</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash flows from financing activities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments on indebtedness and bank borrowings</td>
<td>$ -</td>
<td>-</td>
</tr>
<tr>
<td>Bond issuance and rate hedge costs</td>
<td>-</td>
<td>(499)</td>
</tr>
<tr>
<td>Restricted contributions received for long-term capital projects</td>
<td>-</td>
<td>(398)</td>
</tr>
<tr>
<td>Proceeds from restricted contributions and associated realized gains</td>
<td>336</td>
<td>458</td>
</tr>
<tr>
<td>Payments on capital lease obligations</td>
<td>(1,432)</td>
<td>(2,234)</td>
</tr>
<tr>
<td>Transfers to the University, net</td>
<td>(21,744)</td>
<td>(26,816)</td>
</tr>
<tr>
<td><strong>Net cash used in financing activities</strong></td>
<td>(22,840)</td>
<td>(29,489)</td>
</tr>
<tr>
<td><strong>Net increase in cash and cash equivalents</strong></td>
<td>76,530</td>
<td>15,797</td>
</tr>
<tr>
<td>Cash and cash equivalents, beginning of year</td>
<td>277,957</td>
<td>181,939</td>
</tr>
<tr>
<td>Cash and cash equivalents, end of period</td>
<td>$354,487</td>
<td>197,736</td>
</tr>
</tbody>
</table>

Supplemental disclosures of cash flow information:
Cash paid for interest, net of amount capitalized $8,968 $9,539

Supplemental disclosures of noncash investing/financing activities:
Net transfers to the University of property and equipment 960 864
Net transfers payable between the Health System and the University 193 479
### Hospital Utilization Statistics (Unaudited)

For the Three Months Ended September 30, 2018 and 2017

<table>
<thead>
<tr>
<th></th>
<th>Duke University</th>
<th>Duke Regional</th>
<th>Duke Raleigh</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>3 months</td>
<td>3 months</td>
<td>3 months</td>
<td>3 months</td>
</tr>
<tr>
<td></td>
<td>9/30/2018</td>
<td>9/30/2017</td>
<td>9/30/2018</td>
<td>9/30/2017</td>
</tr>
<tr>
<td>Adult Patient Days</td>
<td>75,818</td>
<td>73,439</td>
<td>19,296</td>
<td>19,478</td>
</tr>
<tr>
<td>Average Adult Daily Census</td>
<td>824</td>
<td>798</td>
<td>210</td>
<td>212</td>
</tr>
<tr>
<td>Licensed Beds</td>
<td>957</td>
<td>957</td>
<td>369</td>
<td>369</td>
</tr>
<tr>
<td>Average Number of Available Beds</td>
<td>970</td>
<td>962</td>
<td>348</td>
<td>346</td>
</tr>
<tr>
<td>Full Time Equivalents</td>
<td>8,754</td>
<td>8,514</td>
<td>1,817</td>
<td>1,718</td>
</tr>
<tr>
<td>Average Adult Occupancy</td>
<td>85%</td>
<td>83%</td>
<td>60%</td>
<td>61%</td>
</tr>
<tr>
<td>Adult Discharges</td>
<td>10,936</td>
<td>10,721</td>
<td>4,163</td>
<td>4,140</td>
</tr>
<tr>
<td>Average Adult Length of Stay</td>
<td>6.9</td>
<td>6.9</td>
<td>4.6</td>
<td>4.7</td>
</tr>
<tr>
<td>Medicare Case Mix Index</td>
<td>2.3560</td>
<td>2.4005</td>
<td>1.6972</td>
<td>1.6558</td>
</tr>
<tr>
<td>Number of Deliveries</td>
<td>866</td>
<td>918</td>
<td>598</td>
<td>610</td>
</tr>
<tr>
<td>Surgical Procedures</td>
<td>10,202</td>
<td>10,110</td>
<td>3,558</td>
<td>3,798</td>
</tr>
<tr>
<td>Endoscopy Procedures</td>
<td>3,369</td>
<td>3,299</td>
<td>1,512</td>
<td>1,453</td>
</tr>
<tr>
<td>Emergency Department Visits</td>
<td>18,998</td>
<td>18,993</td>
<td>15,737</td>
<td>15,697</td>
</tr>
<tr>
<td>Outpatient Visits</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ED Outpatient &amp; CEU</td>
<td>15,269</td>
<td>15,327</td>
<td>13,587</td>
<td>13,546</td>
</tr>
<tr>
<td>Observation Visits</td>
<td>2,546</td>
<td>2,845</td>
<td>1,742</td>
<td>2,001</td>
</tr>
<tr>
<td>Hospital Clinics</td>
<td>249,130</td>
<td>232,180</td>
<td>27,413</td>
<td>29,739</td>
</tr>
<tr>
<td>Outpatient Surgeries and Endoscopies</td>
<td>8,490</td>
<td>8,339</td>
<td>3,853</td>
<td>3,950</td>
</tr>
<tr>
<td>DPC Visits</td>
<td>178,777</td>
<td>171,668</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total Outpatient Visits</td>
<td>454,212</td>
<td>430,359</td>
<td>46,595</td>
<td>49,236</td>
</tr>
</tbody>
</table>

### Gross Revenues by Payor

<table>
<thead>
<tr>
<th></th>
<th>Duke University</th>
<th>Duke Regional</th>
<th>Duke Raleigh</th>
<th>Combined</th>
</tr>
</thead>
<tbody>
<tr>
<td>Medicare</td>
<td>44%</td>
<td>43%</td>
<td>47%</td>
<td>45%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>12%</td>
<td>11%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>Managed Care</td>
<td>35%</td>
<td>36%</td>
<td>31%</td>
<td>33%</td>
</tr>
<tr>
<td>Indemnity</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Self-pay</td>
<td>3%</td>
<td>4%</td>
<td>7%</td>
<td>9%</td>
</tr>
<tr>
<td>Other</td>
<td>5%</td>
<td>5%</td>
<td>4%</td>
<td>2%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>
### Unrestricted revenues, gains and other support:

<table>
<thead>
<tr>
<th></th>
<th>Duke University Hospital</th>
<th>Duke Regional Hospital</th>
<th>Duke Raleigh Hospital</th>
<th>All Affiliates</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net patient service revenue</td>
<td>$598,639</td>
<td>88,851</td>
<td>120,765</td>
<td>43,738</td>
<td>851,993</td>
</tr>
<tr>
<td>Other revenue</td>
<td>16,645</td>
<td>2,137</td>
<td>3,886</td>
<td>29,217</td>
<td>51,885</td>
</tr>
<tr>
<td><strong>Total unrestricted revenues, gains and other support</strong></td>
<td><strong>615,284</strong></td>
<td><strong>90,988</strong></td>
<td><strong>124,651</strong></td>
<td><strong>72,955</strong></td>
<td><strong>903,878</strong></td>
</tr>
</tbody>
</table>

### Expenses:

<table>
<thead>
<tr>
<th></th>
<th>Duke University Hospital</th>
<th>Duke Regional Hospital</th>
<th>Duke Raleigh Hospital</th>
<th>All Affiliates</th>
<th>Consolidated</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries, wages and benefits</td>
<td>204,544</td>
<td>42,174</td>
<td>35,764</td>
<td>128,024</td>
<td>410,506</td>
</tr>
<tr>
<td>Medical supplies</td>
<td>149,936</td>
<td>17,974</td>
<td>39,345</td>
<td>16,221</td>
<td>223,476</td>
</tr>
<tr>
<td>Interest</td>
<td>10,655</td>
<td>1,722</td>
<td>1,737</td>
<td>184</td>
<td>14,298</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20,228</td>
<td>3,811</td>
<td>4,430</td>
<td>11,637</td>
<td>40,106</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>185,361</td>
<td>25,580</td>
<td>32,336</td>
<td>(76,393)</td>
<td>166,884</td>
</tr>
<tr>
<td><strong>Total expenses</strong></td>
<td><strong>570,724</strong></td>
<td><strong>91,261</strong></td>
<td><strong>113,612</strong></td>
<td><strong>79,673</strong></td>
<td><strong>855,270</strong></td>
</tr>
</tbody>
</table>

### Operating income

<table>
<thead>
<tr>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income</strong></td>
<td><strong>$44,560</strong></td>
<td><strong>(273)</strong></td>
<td><strong>11,039</strong></td>
<td><strong>(6,718)</strong></td>
<td><strong>48,608</strong></td>
</tr>
</tbody>
</table>