

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
June 30, 2019 and 2018

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Balance Sheets (Unaudited)
June 30, 2019 and 2018
(\$000's Omitted)

Assets	<u>6/30/2019</u>	<u>6/30/2018</u>
Current Assets:		
Cash and cash equivalents	\$ 250,947	277,957
Patient accounts receivable, net	460,543	420,981
Other receivables	37,473	34,962
Due from the University, net	2,477	9,071
Inventories of drugs and supplies	101,939	93,294
Other assets	36,871	28,143
Short-term investments	562,095	385,129
Assets limited as to use	17,334	19,565
Total current assets	<u>1,469,679</u>	<u>1,269,102</u>
Assets limited as to use	86,438	81,263
Investments	3,244,196	3,229,495
Property and equipment, net	1,751,195	1,572,226
Due from the University	288	429
Derivative instruments	580	685
Other noncurrent assets	48,700	46,569
Total assets	<u>\$ 6,601,076</u>	<u>6,199,769</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 188,316	167,205
Other current liabilities	38,275	38,370
Accrued salaries, wages and vacation payable	203,879	189,202
Estimated third-party payor settlements, net	5,024	1,846
Current portion of postretirement and postemployment benefit obligations	7,404	7,540
Current portion of indebtedness	24,925	23,760
Current portion of capital lease obligations	3,105	2,835
Current portion of estimated professional liability costs	17,334	16,611
Total current liabilities	<u>488,262</u>	<u>447,369</u>
Other noncurrent liabilities	49,816	39,931
Postretirement and postemployment benefit obligations, net of current portion	470,164	274,628
Indebtedness, net of current portion	1,574,392	1,604,035
Capital lease obligations, net of current portion	130,012	128,535
Derivative instruments	77,028	56,746
Estimated professional liability costs, net of current portion	31,180	28,797
Total liabilities	<u>2,820,854</u>	<u>2,580,041</u>
Net Assets:		
Without donor restrictions	3,719,573	3,561,101
With donor restrictions	60,649	58,627
Total net assets	<u>3,780,222</u>	<u>3,619,728</u>
Total liabilities and net assets	<u>\$ 6,601,076</u>	<u>6,199,769</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Operations (Unaudited)
For the Twelve Months Ended June 30, 2019 and 2018
(\$000's Omitted)

	6/30/2019	6/30/2018
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 3,631,391	3,394,589
Other revenue	205,395	203,291
Total unrestricted revenues, gains and other support	3,836,786	3,597,880
Expenses:		
Salaries, wages and benefits	1,689,608	1,570,877
Medical supplies	934,185	846,451
Interest	55,445	58,824
Depreciation	162,958	160,763
Other operating expenses	711,077	675,610
Total expenses	3,553,273	3,312,525
Operating income	283,513	285,355
Non-operating income:		
Investment gain	153,383	341,109
Other	69	1,053
Total non-operating income	153,452	342,162
Excess of revenues over expenses	436,965	627,517
Change in funded status of defined benefit plans	(182,487)	155,112
Net assets released from restrictions for purchase of property and equipment	550	633
Transfers to the University, net	(96,556)	(95,200)
Increase in net assets without donor restrictions	\$ 158,472	688,062

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Twelve Months Ended June 30, 2019 and 2018
(\$000's Omitted)

	6/30/2019	6/30/2018
Net assets without donor restrictions		
Excess of revenues over expenses	\$ 436,965	627,517
Change in funded status of defined benefit plans	(182,487)	155,112
Net assets released from restrictions for purchase of property and equipment	550	633
Transfers to the University, net	(96,556)	(95,200)
Increase in net assets without donor restrictions	158,472	688,062
Net assets with donor restrictions:		
Contributions for restricted purposes	5,694	3,881
Transfers from the University, net	200	10
Net assets released from restrictions used for operations	(4,004)	(3,861)
Net assets released from restrictions for purchase of property and equipment	(550)	(633)
Net realized and unrealized gains	682	2,053
Increase in net assets without donor restrictions	2,022	1,450
Increase in net assets	160,494	689,512
Net assets, beginning of year	3,619,728	2,930,216
Net assets, end of period	\$ 3,780,222	3,619,728

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Twelve Months Ended June 30, 2019 and 2018
(\$000's Omitted)

	<u>6/30/2019</u>	<u>6/30/2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 160,494	689,512
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	162,958	160,763
Investment income	(154,061)	(343,179)
Net loss (gain) on other investments and disposals of property and equipment	1,347	(3,160)
Transfers to the University, net	96,356	95,190
Restricted contributions for long-term investment and capital projects and associated investment income	(512)	(150)
(Increase) decrease in:		
Patient accounts receivable	(39,562)	(55,796)
Due from the University, net	5,565	(8,276)
Other receivables	(1,046)	(4,355)
Inventories of drugs and supplies	(8,645)	(6,832)
Other assets	(10,527)	(7,066)
Increase (decrease) in:		
Accounts payable	12,205	13,739
Other current liabilities	(8,070)	(7,271)
Accrued salaries, wages and vacation payable	14,677	12,775
Estimated third-party payor settlements, net	3,178	(11,676)
Postretirement and postemployment benefit obligation	195,400	(134,463)
Other noncurrent liabilities	9,885	1,976
Estimated professional liability costs	3,106	110
Net cash provided by operating activities	<u>442,748</u>	<u>391,841</u>
Cash flows from investing activities:		
Capital expenditures	(331,423)	(206,457)
(Increase) decrease in assets limited as to use	(1,077)	1,025
Sales of investments	1,931,156	2,819,539
Purchases of investments	(1,945,262)	(2,792,713)
Proceeds from sale of fixed assets	-	161
(Increase) decrease in other assets	(4,640)	2,458
Net cash used in investing activities	<u>(351,246)</u>	<u>(175,987)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Twelve Months Ended June 30, 2019 and 2018
(\$000's Omitted)

	<u>6/30/2019</u>	<u>6/30/2018</u>
Cash flows from financing activities:		
Payments on indebtedness and bank borrowings	\$ (23,760)	(23,340)
Bond issuance and rate hedge costs	-	(505)
Proceeds from restricted contributions and associated investment income	512	731
Payments on capital lease obligations	(3,342)	(3,042)
Transfers to the University, net	(91,922)	(93,680)
Net cash used in financing activities	<u>(118,512)</u>	<u>(119,836)</u>
Net (decrease) increase in cash and cash equivalents	(27,010)	96,018
Cash and cash equivalents, beginning of year	<u>277,957</u>	<u>181,939</u>
Cash and cash equivalents, end of period	<u>\$ 250,947</u>	<u>277,957</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 60,726	64,378
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of June 30	\$ 9,623	37,300
Net transfers to the University of property and equipment	3,405	3,549
Net transfers payable between the Health System and the University	1,959	930

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Hospital Utilization Statistics (Unaudited)

For the Twelve Months Ended June 30, 2019 and 2018

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		Combined	
	12 months 6/30/2019	12 months 6/30/2018	12 months 6/30/2019	12 months 6/30/2018	12 months 6/30/2019	12 months 6/30/2018	12 months 6/30/2019	12 months 6/30/2018
Adult Patient Days	305,540	297,649	82,682	78,034	48,394	42,783	436,616	418,466
Average Adult Daily Census	837	815	227	214	133	117	1,196	1,146
Licensed Beds	979	957	369	369	186	186	1,534	1,512
Average Number of Available Beds	972	968	348	353	192	175	1,512	1,496
Full Time Equivalents	8,835	8,536	1,879	1,752	1,571	1,457	12,285	11,745
Average Adult Occupancy	86%	84%	65%	61%	69%	67%	79%	77%
Adult Discharges	43,449	42,916	17,146	16,299	9,605	9,484	70,200	68,699
Average Adult Length of Stay	7.0	6.9	4.8	4.8	5.0	4.5	6.2	6.1
Medicare Case Mix Index	2.4151	2.3733	1.6881	1.6802	1.9808	1.9109	-	-
Number of Deliveries	3,412	3,350	2,324	2,285	-	-	5,736	5,635
Surgical Procedures	41,503	41,081	15,767	15,317	17,155	16,534	74,425	72,932
Endoscopy Procedures	14,332	13,290	6,421	5,908	3,519	3,488	24,272	22,686
Emergency Department Visits	77,551	75,735	62,738	62,214	47,140	48,290	187,429	186,239
Outpatient Visits								
ED Outpatient & CEU	64,225	61,064	53,751	53,712	40,933	42,111	158,909	156,887
Observation Visits	9,375	10,585	7,535	8,026	9,784	8,558	26,694	27,169
Hospital Clinics	1,021,350	981,837	116,971	117,077	209,715	185,966	1,348,036	1,284,880
Outpatient Surgeries and Endoscopies	34,789	33,776	16,996	16,256	15,742	15,586	67,527	65,618
DPC Visits	774,464	732,157	-	-	-	-	774,464	732,157
Total Outpatient Visits	<u>1,904,203</u>	<u>1,819,419</u>	<u>195,253</u>	<u>195,071</u>	<u>276,174</u>	<u>252,221</u>	<u>2,375,630</u>	<u>2,266,711</u>
Gross Revenues by Payor								
Medicare	43%	43%	47%	47%	52%	51%	45%	45%
Medicaid	12%	12%	10%	11%	6%	6%	11%	11%
Managed Care	36%	36%	31%	32%	34%	36%	35%	36%
Indemnity	1%	1%	1%	1%	1%	1%	1%	1%
Self-pay	3%	3%	7%	6%	4%	4%	4%	3%
Other	5%	5%	4%	3%	3%	2%	4%	4%
Total	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>	<u>100%</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidating Statements of Operations (Unaudited)
For the Twelve Months Ended June 30, 2019
(\$000's Omitted)

	Duke University Hospital	Duke Regional Hospital	Duke Raleigh Hospital	All Other Affiliates	Consolidated
Unrestricted revenues, gains and other support:					
Net patient service revenue	\$ 2,533,214	382,000	513,871	202,306	3,631,391
Other revenue	64,621	8,987	14,307	117,480	205,395
Total unrestricted revenues, gains and other support	<u>2,597,835</u>	<u>390,987</u>	<u>528,178</u>	<u>319,786</u>	<u>3,836,786</u>
Expenses:					
Salaries, wages and benefits	831,882	177,662	149,106	530,958	1,689,608
Medical supplies	633,167	74,538	158,211	68,269	934,185
Interest	40,488	6,730	7,444	783	55,445
Depreciation	80,201	15,610	19,020	48,127	162,958
Other operating expenses	784,307	106,497	136,336	(316,063)	711,077
Total expenses	<u>2,370,045</u>	<u>381,037</u>	<u>470,117</u>	<u>332,074</u>	<u>3,553,273</u>
Operating income	<u>\$ 227,790</u>	<u>9,950</u>	<u>58,061</u>	<u>(12,288)</u>	<u>283,513</u>