

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
March 31, 2019 and 2018

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Balance Sheets (Unaudited)
March 31, 2019 and 2018
(\$000's Omitted)

Assets	<u>3/31/2019</u>	<u>3/31/2018</u>
Current Assets:		
Cash and cash equivalents	\$ 459,011	226,398
Patient accounts receivable, net	453,245	407,085
Estimated third-party payor settlements, net	52,192	47,062
Other receivables	46,115	41,167
Due from the University, net	6,214	3,578
Inventories of drugs and supplies	98,933	92,159
Other assets	35,295	28,694
Short-term investments	244,104	394,713
Assets limited as to use	19,505	19,215
Total current assets	<u>1,414,614</u>	<u>1,260,071</u>
Assets limited as to use	93,200	84,772
Investments	3,170,740	3,160,569
Property and equipment, net	1,700,955	1,508,295
Due from the University	323	465
Derivative instruments	1,180	-
Other noncurrent assets	53,182	44,584
Total assets	<u>\$ 6,434,194</u>	<u>6,058,756</u>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 172,318	124,648
Other current liabilities	81,372	76,255
Accrued salaries, wages and vacation payable	190,797	177,944
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	1,679
Current portion of estimated professional liability costs	16,611	16,276
Total current liabilities	<u>494,298</u>	<u>426,287</u>
Other noncurrent liabilities	40,149	39,980
Postretirement and postemployment benefit obligations, net of current portion	331,352	403,363
Indebtedness, net of current portion	1,600,498	1,629,030
Capital lease obligations, net of current portion	126,932	125,138
Derivative instruments	63,508	63,405
Estimated professional liability costs, net of current portion	38,909	32,273
Total liabilities	<u>2,695,646</u>	<u>2,719,476</u>
Net Assets:		
Unrestricted	3,678,297	3,281,006
Temporarily restricted	44,900	43,484
Permanently restricted	15,351	14,790
Total net assets	<u>3,738,548</u>	<u>3,339,280</u>
Total liabilities and net assets	<u>\$ 6,434,194</u>	<u>6,058,756</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Nine Months Ended March 31, 2019 and 2018
(\$000's Omitted)

	<u>3/31/2019</u>	<u>3/31/2018</u>
Unrestricted revenues, gains and other support:		
Net patient service revenue	\$ 2,679,407	2,531,344
Other revenue	153,237	148,999
Total unrestricted revenues, gains and other support	<u>2,832,644</u>	<u>2,680,343</u>
Expenses:		
Salaries, wages and benefits	1,253,684	1,172,859
Medical supplies	689,637	629,915
Interest	42,116	44,169
Depreciation	121,633	120,118
Other operating expenses	515,287	501,255
Total expenses	<u>2,622,357</u>	<u>2,468,316</u>
Operating income	<u>210,287</u>	<u>212,027</u>
Non-operating income:		
Investment gain	24,689	244,554
Other	2,011	1,026
Total non-operating income	<u>26,700</u>	<u>245,580</u>
Excess of revenues over expenses	236,987	457,607
Change in funded status of defined benefit plans	(47,379)	22,303
Net assets released from restrictions for purchase of property and equipment	516	623
Transfers to the University, net	<u>(72,928)</u>	<u>(72,566)</u>
Increase in unrestricted net assets	\$ <u><u>117,196</u></u>	<u><u>407,967</u></u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Nine Months Ended March 31, 2019 and 2018
(\$000's Omitted)

	3/31/2019	3/31/2018
Unrestricted net assets:		
Excess of revenues over expenses	\$ 236,987	457,607
Change in funded status of defined benefit plans	(47,379)	22,303
Net assets released from restrictions for purchase of property and equipment	516	623
Transfers to the University, net	(72,928)	(72,566)
Increase in unrestricted net assets	117,196	407,967
Temporarily restricted net assets:		
Contributions for restricted purposes	3,296	2,239
Transfers to the University, net	122	(248)
Net assets released from restrictions used for operations	(2,443)	(2,764)
Net assets released from restrictions for purchase of property and equipment	(516)	(623)
Net realized and unrealized (losses) gains	(152)	1,408
Increase in temporarily restricted net assets	307	12
Permanently restricted net assets:		
Contributions for endowment funds	505	106
Transfers from the University, net	-	200
Net realized and unrealized gains	812	779
Increase in permanently restricted net assets	1,317	1,085
Increase in net assets	118,820	409,064
Net assets, beginning of year	3,619,728	2,930,216
Net assets, end of period	\$ 3,738,548	3,339,280

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended March 31, 2019 and 2018
(\$000's Omitted)

	<u>3/31/2019</u>	<u>3/31/2018</u>
Cash flows from operating activities:		
Increase in net assets	\$ 118,820	409,064
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	121,633	120,118
Investment income	(24,537)	(245,962)
Net gain on other investments and disposals of property and equipment	(1,243)	(3,192)
Transfers to the University, net	72,806	72,614
Restricted contributions received for long-term capital projects	-	(21)
Permanently restricted contributions and associated realized and unrealized gains	(1,317)	(885)
(Increase) decrease in:		
Patient accounts receivable	(32,264)	(41,900)
Due from the University, net	2,756	(6,641)
Estimated third-party payor settlements, net	(54,038)	(60,584)
Other receivables	(11,153)	(10,511)
Inventories of drugs and supplies	(5,639)	(5,697)
Other assets	(7,871)	(7,817)
Increase (decrease) in:		
Accounts payable	(5,477)	5,429
Other current liabilities	38,558	32,052
Accrued salaries, wages and vacation payable	1,595	1,517
Postretirement and postemployment benefit obligation	56,724	(7,123)
Other noncurrent liabilities	219	2,025
Estimated professional liability costs	10,112	3,251
Net cash provided by operating activities	<u>279,684</u>	<u>255,737</u>
Cash flows from investing activities:		
Capital expenditures	(247,811)	(139,645)
Decrease in assets limited as to use	(1,737)	680
Sales of investments	1,551,810	2,175,872
Purchases of investments	(1,326,581)	(2,183,010)
Proceeds from sale of fixed assets	-	151
(Increase) decrease in other assets	(2,872)	4,610
Net cash used in investing activities	<u>(27,191)</u>	<u>(141,342)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Nine Months Ended March 31, 2019 and 2018
(\$000's Omitted)

	<u>3/31/2019</u>	<u>3/31/2018</u>
Cash flows from financing activities:		
Payments on indebtedness and bank borrowings	\$ -	-
Bond issuance and rate hedge costs	-	(505)
Restricted contributions received for long-term capital projects	-	602
Proceeds from restricted contributions and associated realized gains	1,317	885
Payments on capital lease obligations	(2,538)	(2,714)
Transfers to the University, net	<u>(70,218)</u>	<u>(68,204)</u>
Net cash used in financing activities	<u>(71,439)</u>	<u>(69,936)</u>
Net increase in cash and cash equivalents	181,054	44,459
Cash and cash equivalents, beginning of year	<u>277,957</u>	<u>181,939</u>
Cash and cash equivalents, end of period	<u>\$ 459,011</u>	<u>226,398</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 37,537	38,352
Supplemental disclosures of noncash investing/financing activities:		
Net transfers to the University of property and equipment	2,488	2,591
Net transfers payable between the Health System and the University	1,031	4,787

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Hospital Utilization Statistics (Unaudited)

For the Nine Months Ended March 31, 2019 and 2018

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		Combined	
	9 months 3/31/2019	9 months 3/31/2018	9 months 3/31/2019	9 months 3/31/2018	9 months 3/31/2019	9 months 3/31/2018	9 months 3/31/2019	9 months 3/31/2018
Adult Patient Days	229,361	223,525	62,135	58,930	36,080	32,044	327,576	314,499
Average Adult Daily Census	837	816	227	215	132	117	1,196	1,148
Licensed Beds	979	957	369	369	186	186	1,534	1,512
Average Number of Available Beds	972	967	348	353	189	175	1,509	1,495
Full Time Equivalents	8,805	8,526	1,861	1,738	1,551	1,451	12,217	11,715
Average Adult Occupancy	86%	84%	65%	61%	70%	67%	79%	77%
Adult Discharges	32,521	32,097	12,863	12,292	7,100	7,080	52,484	51,469
Average Adult Length of Stay	7.1	7.0	4.8	4.8	5.1	4.5	6.2	6.1
Medicare Case Mix Index	2.3852	2.3905	1.6732	1.6818	2.0186	1.9229	-	-
Number of Deliveries	2,572	2,577	1,716	1,721	-	-	4,288	4,298
Surgical Procedures	30,834	30,462	11,558	11,597	12,833	12,438	55,225	54,497
Endoscopy Procedures	10,517	9,835	4,751	4,411	2,653	2,560	17,921	16,806
Emergency Department Visits	57,915	56,867	46,661	46,505	35,490	36,175	140,066	139,547
Outpatient Visits								
ED Outpatient & CEU	47,732	45,839	39,947	40,117	30,924	31,573	118,603	117,529
Observation Visits	7,044	7,998	5,398	6,092	7,226	6,562	19,668	20,652
Hospital Clinics	758,541	712,664	85,755	87,876	150,660	136,742	994,956	937,282
Outpatient Surgeries and Endoscopies	25,684	25,074	12,438	12,248	11,778	11,652	49,900	48,974
DPC Visits	574,770	545,914	-	-	-	-	574,770	545,914
Total Outpatient Visits	<u>1,413,771</u>	<u>1,337,489</u>	<u>143,538</u>	<u>146,333</u>	<u>200,588</u>	<u>186,529</u>	<u>1,757,897</u>	<u>1,670,351</u>
Gross Revenues by Payor								
Medicare	43%	43%	47%	47%	51%	51%	45%	45%
Medicaid	13%	12%	10%	10%	6%	6%	11%	10%
Managed Care	36%	36%	32%	32%	35%	35%	35%	36%
Indemnity	1%	1%	1%	1%	1%	1%	1%	1%
Self-pay	3%	4%	7%	8%	4%	5%	4%	4%
Other	4%	4%	3%	2%	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 Nine Months Ended March 31, 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	\$ 1,859,813	280,593	382,341	156,660	2,679,407
Other revenue	48,687	6,845	10,777	86,928	153,237
Total unrestricted revenues, gains and other support	<u>1,908,500</u>	<u>287,438</u>	<u>393,118</u>	<u>243,588</u>	<u>2,832,644</u>
Expenses:					
Salaries, wages and benefits	619,576	130,622	110,122	393,364	1,253,684
Medical supplies	463,000	56,367	118,605	51,665	689,637
Interest	30,829	5,121	5,599	567	42,116
Depreciation	60,264	11,575	13,978	35,816	121,633
Other operating expenses	570,040	78,095	99,417	(232,265)	515,287
Total expenses	<u>1,743,709</u>	<u>281,780</u>	<u>347,721</u>	<u>249,147</u>	<u>2,622,357</u>
Operating income	<u>\$ 164,791</u>	<u>5,658</u>	<u>45,397</u>	<u>(5,559)</u>	<u>210,287</u>