

# DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements  
September 30, 2020 and 2019

(Unaudited)

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Balance Sheets (Unaudited)

September 30, 2020 and 2019

(\$000's Omitted)

Assets	9/30/2020	9/30/2019
Current Assets:		
Cash and cash equivalents	\$ 98,907	433,911
Patient accounts receivable, net	455,077	471,616
Other receivables	55,124	65,992
Inventories of drugs and supplies	135,226	106,141
Short-term investments	866,939	278,507
Assets limited as to use	18,386	17,334
Other assets	47,368	46,548
Total current assets	1,677,027	1,420,049
Assets limited as to use	77,396	86,127
Investments	3,319,248	3,233,592
Property and equipment, net	2,104,427	1,831,240
Right-of-use operating lease assets	353,026	323,148
Other noncurrent assets	53,238	54,474
Total assets	\$ 7,584,362	6,948,630
 <b>Liabilities and Net Assets</b>		
Current Liabilities:		
Accounts payable	\$ 206,977	203,464
Accrued salaries, wages and vacation payable	220,247	202,704
Current portion of estimated third-party payor settlements	52,468	2,410
Current portion of postretirement and postemployment benefit obligations	8,026	7,676
Current portion of indebtedness	25,970	24,925
Current portion of finance lease liabilities	8,402	4,601
Current portion of operating lease liabilities	26,233	26,222
Other current liabilities	80,046	71,804
Total current liabilities	628,369	543,806
Estimated third-party payor settlements, net of current portion	217,375	-
Postretirement and postemployment benefit obligations, net of current portion	807,730	474,061
Indebtedness, net of current portion	1,555,182	1,573,258
Finance lease liabilities, net of current portion	157,424	137,219
Operating lease liabilities, net of current portion	337,894	300,438
Derivative instruments	96,027	84,835
Other noncurrent liabilities	118,544	80,538
Total liabilities	3,918,545	3,194,155
Net Assets:		
Without donor restrictions	3,605,376	3,694,049
With donor restrictions	60,441	60,426
Total net assets	3,665,817	3,754,475
Total liabilities and net assets	\$ 7,584,362	6,948,630

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Statements of Operations (Unaudited)  
For the Three Months Ended September 30, 2020 and 2019  
(\$000's Omitted)

	<u>9/30/2020</u>	<u>9/30/2019</u>
Revenues, gains and other support without donor restrictions:		
Net patient service revenue	\$ 970,261	943,539
Other revenue	66,746	51,121
Total revenues, gains and other support	<u>1,037,007</u>	<u>994,660</u>
Expenses:		
Salaries, wages and benefits	488,364	452,030
Medical supplies	286,708	247,904
Interest	6,384	12,444
Depreciation	42,695	41,007
Other operating expenses	190,441	186,534
Total expenses	<u>1,014,592</u>	<u>939,919</u>
Operating income	<u>22,415</u>	<u>54,741</u>
Non-operating income (loss):		
Investment gain (loss)	194,013	(59,552)
Non-operating components of net periodic benefit cost	324	4,207
Other	(120)	13
Total non-operating income (loss)	<u>194,217</u>	<u>(55,332)</u>
Excess (deficit) of revenue over (under) expenses	216,632	(591)
Change in funded status of defined benefit plans	6,986	2,459
Net assets released from restrictions for purchase of property and equipment	31	85
Transfers to the University, net	<u>(42,296)</u>	<u>(27,477)</u>
Increase (decrease) in net assets without donor restrictions	\$ <u>181,353</u>	<u>(25,524)</u>

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**  
Consolidated Statements of Changes in Net Assets (Unaudited)  
For the Three Months Ended September 30, 2020 and 2019  
(\$000's Omitted)

	<b>9/30/2020</b>	<b>9/30/2019</b>
Net assets without donor restrictions		
Excess (deficit) of revenue over (under) expenses	\$ 216,632	(591)
Change in funded status of defined benefit plans	6,986	2,459
Net assets released from restrictions for purchase of property and equipment	31	85
Transfers to the University, net	(42,296)	(27,477)
Increase (decrease) in net assets without donor restrictions	181,353	(25,524)
Net assets with donor restrictions:		
Contributions for restricted purposes	275	722
Transfers (to) from the University, net	(265)	25
Net assets released from restrictions used for operations	(691)	(870)
Net assets released from restrictions for purchase of property and equipment	(31)	(85)
Net realized and unrealized gains (losses)	1,593	(15)
Increase (decrease) in net assets with donor restrictions	881	(223)
Increase (decrease) in net assets	182,234	(25,747)
Net assets, beginning of year	3,483,583	3,780,222
Net assets, end of period	\$ 3,665,817	3,754,475

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidated Statements of Cash Flows (Unaudited)  
For the Three Months Ended September 30, 2020 and 2019  
(\$000's Omitted)

	<u>9/30/2020</u>	<u>9/30/2019</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 182,234	(25,747)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	42,695	41,007
Amortization of debt issuance costs and premium	(903)	(1,134)
Investment (income) loss	(195,312)	59,848
Net loss on other investments and disposals of property and equipment	122	2
Nonperiodic changes in defined benefit plans	(6,986)	(2,459)
Transfers to the University, net	42,561	27,452
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(303)	(684)
(Increase) decrease in:		
Patient accounts receivable	(24,986)	(11,032)
Other receivables	(14,046)	(28,560)
Inventories of drugs and supplies	(8,810)	(4,202)
Right-of-use operating lease assets	(24,364)	(24,549)
Other assets	(1,431)	(5,113)
Increase (decrease) in:		
Accounts payable	(6,760)	(18,770)
Accrued salaries, wages and vacation payable	(9,806)	(1,175)
Estimated third-party payor settlements payable	(36,332)	(2,614)
Other current liabilities	22,754	18,249
Postretirement and postemployment benefit obligation	16,451	6,628
Operating lease liabilities	25,818	28,061
Other noncurrent liabilities	23,966	(458)
Net cash provided by operating activities	<u>26,562</u>	<u>54,750</u>
Cash flows from investing activities:		
Capital expenditures	(100,011)	(86,521)
Decrease in assets limited as to use	524	69
Sales of investments	257,932	419,858
Purchases of investments	(198,193)	(177,376)
Decrease (increase) in other assets	37	(5,272)
Net cash (used in) provided by investing activities	<u>(39,711)</u>	<u>150,758</u>

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**  
Consolidated Statements of Cash Flows, Continued (Unaudited)  
For the Three Months Ended September 30, 2020 and 2019  
(\$000's Omitted)

	<b>9/30/2020</b>	<b>9/30/2019</b>
Cash flows from financing activities:		
Proceeds from finance leasing program	\$ -	6,296
Proceeds from restricted contributions and associated investment income	303	684
Payments on finance lease liabilities	(3,775)	(1,018)
Transfers to the University, net	(42,275)	(28,506)
Net cash used in financing activities	(45,747)	(22,544)
Net (decrease) increase in cash and cash equivalents	(58,896)	182,964
Cash and cash equivalents, beginning of year	157,803	250,947
Cash and cash equivalents, end of period	\$ 98,907	433,911
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 6,067	10,008
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of September 30	\$ 11,493	34,106
Net transfers to the University of property and equipment	948	945
Net transfers payable (receivable) between the Health System and the University	54	(40)
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 8,901	9,578
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	32,720	38,662
Finance leases	311	7,667

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Hospital Utilization Statistics (Unaudited)

For the Three Months Ended September 30, 2020 and 2019

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		Combined	
	3 months	3 months	3 months	3 months	3 months	3 months	3 months	3 months
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2020</u>	<u>9/30/2019</u>
Adult Patient Days	78,871	77,748	21,315	20,794	13,095	12,448	113,281	110,990
Average Adult Daily Census	857	845	232	226	142	135	1,231	1,206
Licensed Beds	979	979	369	369	186	186	1,534	1,534
Average Number of Available Beds	996	974	348	343	186	186	1,530	1,503
Full Time Equivalents	9,769	9,117	2,125	1,979	1,853	1,692	13,747	12,788
Average Adult Occupancy	86%	87%	67%	66%	77%	73%	80%	80%
Adult Discharges	10,103	10,805	4,086	4,230	2,605	2,638	16,794	17,673
Average Adult Length of Stay	7.8	7.2	5.2	4.9	5.0	4.7	6.7	6.3
Medicare Case Mix Index	2.5473	2.4657	1.7880	1.6996	2.1554	2.0363	-	-
Number of Deliveries	870	868	684	660	-	-	1,554	1,528
Surgical Procedures	10,204	10,340	4,423	4,339	4,339	4,292	18,966	18,971
Endoscopy Procedures	3,914	3,673	1,246	1,428	978	796	6,138	5,897
Emergency Department Visits	16,488	19,247	12,978	15,394	9,419	11,319	38,885	45,960
Outpatient Visits								
ED Outpatient & CEU	13,331	16,130	10,695	13,135	7,775	9,732	31,801	38,997
Observation Visits	2,789	3,034	1,964	2,492	1,985	2,439	6,738	7,965
Clinic Visits	277,760	260,457	30,599	30,690	74,418	58,232	382,777	349,379
Outpatient Surgeries and Endoscopies	8,982	8,855	4,433	4,398	4,092	3,830	17,507	17,083
DPC Visits	182,866	192,597	-	-	-	-	182,866	192,597
Total Outpatient Visits	<u>485,728</u>	<u>481,073</u>	<u>47,691</u>	<u>50,715</u>	<u>88,270</u>	<u>74,233</u>	<u>621,689</u>	<u>606,021</u>
Gross Revenues by Payor								
Medicare	43.1%	42.7%	50.0%	47.9%	53.8%	53.4%	45.7%	45.2%
Medicaid	14.0%	12.6%	9.7%	9.3%	6.9%	5.6%	12.3%	11.0%
Managed Care	33.4%	34.7%	29.4%	29.2%	31.8%	31.7%	32.7%	33.5%
Indemnity	1.4%	1.2%	1.4%	1.1%	1.4%	1.4%	1.4%	1.2%
Self-pay	3.4%	4.1%	7.1%	9.7%	3.3%	4.8%	3.8%	4.9%
Other	4.8%	4.7%	2.5%	2.8%	2.7%	3.1%	4.2%	4.2%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100%</u>	<u>100%</u>

Note: Percentages may not sum to 100% due to rounding.

**DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES**

Consolidating Statements of Operations (Unaudited)  
For the Three Months Ended September 30, 2020 and 2019  
(\$000's Omitted)

	Duke University Hospital	Duke Regional Hospital	Duke Raleigh Hospital	All Other Affiliates	Consolidated
Revenues, gains and other support without donor restrictions:					
Net patient service revenue	\$ 662,447	101,233	138,279	68,302	970,261
Other revenue	33,646	2,528	3,490	27,082	66,746
Total revenues, gains and other support	<u>696,093</u>	<u>103,761</u>	<u>141,769</u>	<u>95,384</u>	<u>1,037,007</u>
Expenses:					
Salaries, wages and benefits	244,500	53,532	45,551	144,781	488,364
Medical supplies	186,828	21,014	46,682	32,184	286,708
Interest	4,650	810	892	32	6,384
Depreciation	19,650	4,708	5,153	13,184	42,695
Other operating expenses	216,641	29,982	38,670	(94,852)	190,441
Total expenses	<u>672,269</u>	<u>110,046</u>	<u>136,948</u>	<u>95,329</u>	<u>1,014,592</u>
Operating income (loss)	<u>\$ 23,824</u>	<u>(6,285)</u>	<u>4,821</u>	<u>55</u>	<u>22,415</u>