

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
December 31, 2020 and 2019

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

December 31, 2020 and 2019

(\$000's Omitted)

Assets	12/31/2020	12/31/2019
Current Assets:		
Cash and cash equivalents	\$ 52,116	225,768
Patient accounts receivable, net	476,978	487,357
Estimated third-party payor settlements, net	-	22,941
Other receivables	49,141	44,725
Inventories of drugs and supplies	140,145	109,408
Short-term investments	792,692	296,908
Assets limited as to use	18,386	17,334
Other assets	49,912	44,804
Total current assets	1,579,370	1,249,245
Assets limited as to use	79,589	80,348
Investments	3,645,802	3,516,443
Property and equipment, net	2,157,675	1,880,562
Right-of-use operating lease assets	354,582	317,182
Other noncurrent assets	56,619	54,018
Total assets	\$ 7,873,637	7,097,798
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 199,708	190,477
Accrued salaries, wages and vacation payable	232,408	214,803
Current portion of estimated third-party payor settlements	39,634	-
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	8,697	5,375
Current portion of operating lease liabilities	27,044	25,320
Other current liabilities	158,188	100,362
Total current liabilities	699,675	568,938
Estimated third-party payor settlements, net of current portion	182,125	-
Postretirement and postemployment benefit obligations, net of current portion	817,145	478,781
Indebtedness, net of current portion	1,554,301	1,572,077
Finance lease liabilities, net of current portion	157,922	140,864
Operating lease liabilities, net of current portion	340,300	296,730
Derivative instruments	88,598	75,627
Other noncurrent liabilities	138,213	78,297
Total liabilities	3,978,279	3,211,314
Net Assets:		
Without donor restrictions	3,832,787	3,826,421
With donor restrictions	62,571	60,063
Total net assets	3,895,358	3,886,484
Total liabilities and net assets	\$ 7,873,637	7,097,798

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Six Months Ended December 31, 2020 and 2019
(\$000's Omitted)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Revenues, gains and other support without donor restrictions:		
Net patient service revenue	\$ 1,973,641	1,918,622
Other revenue	123,300	104,420
Total revenues, gains and other support	<u>2,096,941</u>	<u>2,023,042</u>
Expenses:		
Salaries, wages and benefits	978,760	929,025
Medical supplies	580,472	507,111
Interest	12,390	24,021
Depreciation	86,142	82,732
Other operating expenses	384,179	367,752
Total expenses	<u>2,041,943</u>	<u>1,910,641</u>
Operating income	<u>54,998</u>	<u>112,401</u>
Non-operating income:		
Investment gain	413,970	29,761
Non-operating components of net periodic benefit cost	649	8,415
Other	(1,205)	4,376
Total non-operating income	<u>413,414</u>	<u>42,552</u>
Excess of revenue over expenses	468,412	154,953
Change in funded status of defined benefit plans	13,972	4,917
Net assets released from restrictions for purchase of property and equipment	546	707
Transfers to the University, net	<u>(74,166)</u>	<u>(53,729)</u>
Increase in net assets without donor restrictions	<u>\$ 408,764</u>	<u>106,848</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets (Unaudited)

For the Six Months Ended December 31, 2020 and 2019

(\$000's Omitted)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Net assets without donor restrictions		
Excess of revenue over expenses	\$ 468,412	154,953
Change in funded status of defined benefit plans	13,972	4,917
Net assets released from restrictions for purchase of property and equipment	546	707
Transfers to the University, net	<u>(74,166)</u>	<u>(53,729)</u>
Increase in net assets without donor restrictions	<u>408,764</u>	<u>106,848</u>
Net assets with donor restrictions:		
Contributions for restricted purposes	4,649	1,958
Transfers (to) from the University, net	(314)	25
Net assets released from restrictions used for operations	(4,245)	(2,276)
Net assets released from restrictions for purchase of property and equipment	(546)	(707)
Net realized and unrealized gains	<u>3,467</u>	<u>414</u>
Increase (decrease) in net assets with donor restrictions	<u>3,011</u>	<u>(586)</u>
Increase in net assets	411,775	106,262
Net assets, beginning of year	<u>3,483,583</u>	<u>3,780,222</u>
Net assets, end of period	<u>\$ 3,895,358</u>	<u>3,886,484</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Six Months Ended December 31, 2020 and 2019
(\$000's Omitted)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash flows from operating activities:		
Increase in net assets	\$ 411,775	106,262
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation	86,142	82,732
Amortization of debt issuance costs and premium	(1,815)	(2,315)
Investment income	(416,844)	(29,610)
Net loss (income) on other investments and disposals of property and equipment	1,314	(4,254)
Nonperiodic changes in defined benefit plans	(13,972)	(4,917)
Transfers to the University, net	74,480	53,704
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(691)	(1,049)
(Increase) decrease in:		
Patient accounts receivable	(46,887)	(26,764)
Other receivables	(8,063)	(6,752)
Inventories of drugs and supplies	(13,729)	(7,469)
Right-of-use operating lease assets	(25,920)	(18,583)
Other assets	(9,792)	(4,599)
Increase (decrease) in:		
Accounts payable	(5,909)	(14,759)
Accrued salaries, wages and vacation payable	2,355	10,924
Estimated third-party payor settlements payable	(84,416)	(27,965)
Other current liabilities	104,529	48,680
Postretirement and postemployment benefit obligation	32,852	13,806
Operating lease liabilities	29,035	23,451
Other noncurrent liabilities	43,633	(2,699)
Net cash provided by operating activities	<u>158,077</u>	<u>187,824</u>
Cash flows from investing activities:		
Capital expenditures	(204,644)	(194,792)
(Increase) decrease in assets limited as to use	(70)	713
Sales of investments	559,881	759,764
Purchases of investments	(539,953)	(733,972)
(Increase) decrease in other assets	(3,170)	783
Net cash used in investing activities	<u>(187,956)</u>	<u>(167,504)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Six Months Ended December 31, 2020 and 2019
(\$000's Omitted)

	<u>12/31/2020</u>	<u>12/31/2019</u>
Cash flows from financing activities:		
Proceeds from finance leasing program	\$ -	9,773
Bond issuance costs	-	(45)
Proceeds from restricted contributions and associated investment income	691	1,049
Payments on finance lease liabilities	(5,355)	(2,267)
Transfers to the University, net	(71,144)	(54,009)
Net cash used in financing activities	<u>(75,808)</u>	<u>(45,499)</u>
Net decrease in cash and cash equivalents	(105,687)	(25,179)
Cash and cash equivalents, beginning of year	<u>157,803</u>	<u>250,947</u>
Cash and cash equivalents, end of period	<u>\$ 52,116</u>	<u>225,768</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 16,582	29,014
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of December 31	\$ 3,412	17,467
Net transfers to the University of property and equipment	1,940	1,894
Net transfers payable (receivable) between the Health System and the University	2,112	(240)
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 17,694	19,116
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	42,796	41,636
Finance leases	1,430	11,509

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Hospital Utilization Statistics (Unaudited)

For the Six Months Ended December 31, 2020 and 2019

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		Combined	
	6 months 12/31/2020	6 months 12/31/2019	6 months 12/31/2020	6 months 12/31/2019	6 months 12/31/2020	6 months 12/31/2019	6 months 12/31/2020	6 months 12/31/2019
Adult Patient Days	157,844	156,806	42,831	41,928	26,641	25,277	227,316	224,011
Average Adult Daily Census	858	852	233	228	145	137	1,235	1,217
Licensed Beds	979	979	369	369	186	186	1,534	1,534
Average Number of Available Beds	1,001	974	348	343	186	186	1,535	1,503
Full Time Equivalents	9,801	9,162	2,109	1,993	1,859	1,725	13,768	12,880
Average Adult Occupancy	86%	87%	67%	66%	78%	74%	80%	81%
Adult Discharges	20,313	21,859	8,136	8,357	5,276	5,277	33,725	35,493
Average Adult Length of Stay	7.8	7.2	5.3	5.0	5.0	4.8	6.7	6.3
Medicare Case Mix Index	2.5468	2.4645	1.7972	1.7195	2.1390	1.9905	-	-
Number of Deliveries	1,719	1,763	1,319	1,277	-	-	3,038	3,040
Surgical Procedures	20,867	21,185	8,906	8,850	8,864	8,711	38,637	38,746
Endoscopy Procedures	7,743	7,500	2,424	2,728	1,989	1,676	12,156	11,904
Emergency Department Visits	32,835	38,427	25,750	29,934	18,820	22,496	77,405	90,857
Outpatient Visits								
ED Outpatient & CEU	26,000	31,941	21,152	25,499	15,511	19,342	62,663	76,782
Observation Visits	5,457	6,075	3,866	4,924	4,031	4,941	13,354	15,940
Clinic Visits	561,375	514,646	55,839	61,377	152,080	118,192	769,294	694,215
Outpatient Surgeries and Endoscopies	18,293	18,210	8,891	8,876	8,429	7,857	35,613	34,943
DPC Visits	372,104	393,694	-	-	-	-	372,104	393,694
Total Outpatient Visits	<u>983,229</u>	<u>964,566</u>	<u>89,748</u>	<u>100,676</u>	<u>180,051</u>	<u>150,332</u>	<u>1,253,028</u>	<u>1,215,574</u>
Gross Revenues by Payor								
Medicare	43.2%	42.9%	49.3%	48.3%	52.9%	52.2%	45.6%	45.1%
Medicaid	13.5%	11.8%	10.0%	8.7%	6.7%	5.9%	11.9%	10.4%
Managed Care	34.0%	35.2%	30.0%	29.6%	32.8%	32.5%	33.3%	34.1%
Indemnity	1.4%	1.2%	1.3%	1.2%	1.6%	1.4%	1.4%	1.2%
Self-pay	3.1%	4.2%	6.5%	9.2%	3.0%	4.8%	3.5%	4.9%
Other	4.8%	4.7%	2.8%	3.0%	3.0%	3.2%	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 Six Months Ended December 31, 2020 and 2019
(\$000's Omitted)

	<u>Duke University Hospital</u>	<u>Duke Regional Hospital</u>	<u>Duke Raleigh Hospital</u>	<u>All Other Affiliates & Eliminations</u>	<u>Consolidated</u>
Revenues, gains and other support without donor restrictions:					
Net patient service revenue	\$ 1,348,635	206,180	290,593	128,233	1,973,641
Other revenue	<u>52,782</u>	<u>5,029</u>	<u>8,550</u>	<u>56,939</u>	<u>123,300</u>
Total revenues, gains and other support	<u>1,401,417</u>	<u>211,209</u>	<u>299,143</u>	<u>185,172</u>	<u>2,096,941</u>
Expenses:					
Salaries, wages and benefits	486,319	105,328	90,907	296,206	978,760
Medical supplies	377,778	43,491	94,236	64,967	580,472
Interest	9,000	1,588	1,747	55	12,390
Depreciation	39,341	9,645	10,486	26,670	86,142
Other operating expenses	<u>436,738</u>	<u>59,229</u>	<u>76,988</u>	<u>(188,776)</u>	<u>384,179</u>
Total expenses	<u>1,349,176</u>	<u>219,281</u>	<u>274,364</u>	<u>199,122</u>	<u>2,041,943</u>
Operating income (loss)	<u>\$ 52,241</u>	<u>(8,072)</u>	<u>24,779</u>	<u>(13,950)</u>	<u>54,998</u>