

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
March 31, 2021 and 2020

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

March 31, 2021 and 2020

(\$000's Omitted)

Assets	3/31/2021	3/31/2020
Current Assets:		
Cash and cash equivalents	\$ 134,640	181,374
Patient accounts receivable, net	496,360	438,229
Estimated third-party payor settlements, net	-	48,949
Other receivables	56,561	47,466
Inventories of drugs and supplies	140,841	110,759
Short-term investments	774,832	394,869
Assets limited as to use	18,386	17,334
Other assets	43,431	36,736
	<hr/>	<hr/>
Total current assets	1,665,051	1,275,716
Assets limited as to use	85,812	80,522
Investments	3,964,710	3,116,908
Property and equipment, net	2,198,334	1,944,193
Right-of-use operating lease assets	361,525	323,098
Other noncurrent assets	54,526	51,077
	<hr/>	<hr/>
Total assets	\$ 8,329,958	6,791,514
	<hr/> <hr/>	<hr/> <hr/>
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 206,890	198,162
Accrued salaries, wages and vacation payable	224,177	196,108
Current portion of estimated third-party payor settlements	121,156	-
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	9,678	8,180
Current portion of operating lease liabilities	29,823	24,935
Other current liabilities	126,904	88,779
	<hr/>	<hr/>
Total current liabilities	752,624	548,765
Estimated third-party payor settlements, net of current portion	141,000	-
Postretirement and postemployment benefit obligations, net of current portion	767,055	530,659
Indebtedness, net of current portion	1,553,401	1,582,944
Finance lease liabilities, net of current portion	161,005	160,185
Operating lease liabilities, net of current portion	345,757	305,423
Derivative instruments	70,761	102,219
Other noncurrent liabilities	111,158	79,905
	<hr/>	<hr/>
Total liabilities	3,902,761	3,310,100
	<hr/>	<hr/>
Net Assets:		
Without donor restrictions	4,360,476	3,423,730
With donor restrictions	66,721	57,684
	<hr/>	<hr/>
Total net assets	4,427,197	3,481,414
	<hr/>	<hr/>
Total liabilities and net assets	\$ 8,329,958	6,791,514
	<hr/> <hr/>	<hr/> <hr/>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Nine Months Ended March 31, 2021 and 2020
(\$000's Omitted)

	<u>3/31/2021</u>	<u>3/31/2020</u>
Revenues, gains and other support without donor restrictions:		
Net patient service revenue	\$ 2,946,452	2,855,730
Other revenue	243,862	153,222
Total revenues, gains and other support	<u>3,190,314</u>	<u>3,008,952</u>
Expenses:		
Salaries, wages and benefits	1,476,956	1,395,615
Medical supplies	856,607	769,663
Interest	18,149	31,934
Depreciation	130,768	125,170
Other operating expenses	585,621	564,337
Total expenses	<u>3,068,101</u>	<u>2,886,719</u>
Operating income	<u>122,213</u>	<u>122,233</u>
Non-operating income (loss):		
Investment gain (loss)	843,245	(298,507)
Non-operating components of net periodic benefit cost	973	12,622
Loss on extinguishment of debt	-	(10,179)
Other	(5,183)	2,124
Total non-operating income (loss)	<u>839,035</u>	<u>(293,940)</u>
Excess (deficit) of revenue over (under) expenses	961,248	(171,707)
Change in funded status of defined benefit plans	81,071	(40,401)
Net assets released from restrictions for purchase of property and equipment	547	716
Transfers to the University, net	<u>(106,413)</u>	<u>(84,451)</u>
Increase (decrease) in net assets without donor restrictions	\$ <u>936,453</u>	<u>(295,843)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Nine Months Ended March 31, 2021 and 2020
(\$000's Omitted)

	3/31/2021	3/31/2020
Net assets without donor restrictions		
Excess (deficit) of revenue over (under) expenses	\$ 961,248	(171,707)
Change in funded status of defined benefit plans	81,071	(40,401)
Net assets released from restrictions for purchase of property and equipment	547	716
Transfers to the University, net	(106,413)	(84,451)
Increase (decrease) in net assets without donor restrictions	936,453	(295,843)
Net assets with donor restrictions:		
Contributions for restricted purposes	10,415	2,818
Transfers (to) from the University, net	(314)	32
Net assets released from restrictions used for operations	(9,706)	(3,303)
Net assets released from restrictions for purchase of property and equipment	(547)	(716)
Net realized and unrealized gains (losses)	7,313	(1,796)
Increase (decrease) in net assets with donor restrictions	7,161	(2,965)
Increase (decrease) in net assets	943,614	(298,808)
Net assets, beginning of year	3,483,583	3,780,222
Net assets, end of period	\$ 4,427,197	3,481,414

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended March 31, 2021 and 2020
(\$000's Omitted)

	<u>3/31/2021</u>	<u>3/31/2020</u>
Cash flows from operating activities:		
Increase (decrease) in net assets	\$ 943,614	(298,808)
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities:		
Depreciation	130,768	125,170
Amortization of debt issuance costs and premium	(2,715)	(3,734)
Investment (income) loss	(849,667)	301,155
Loss on the extinguishment of debt	-	10,179
Net loss (income) on other investments	5,318	(2,042)
Nonperiodic changes in defined benefit plans	(81,071)	40,401
Transfers to the University, net	106,727	84,419
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(993)	(1,472)
Changes in operating assets and liabilities:		
Patient accounts receivable	(66,269)	22,343
Other receivables	(15,483)	(10,020)
Inventories of drugs and supplies	(14,425)	(8,820)
Right-of-use operating lease assets, net of operating lease liabilities	4,408	7,260
Other assets	(524)	4,360
Accounts payable	(8,121)	(12,935)
Accrued salaries, wages and vacation payable	(5,876)	(7,771)
Estimated third-party payor settlements payable	(44,019)	(53,973)
Postretirement and postemployment benefit obligation	49,861	20,366
Other liabilities	85,823	34,364
Net cash provided by operating activities	<u>237,356</u>	<u>250,442</u>
Cash flows from investing activities:		
Capital expenditures	(276,712)	(275,808)
(Increase) decrease in assets limited as to use	(523)	1,612
Sales of investments	1,120,830	1,120,058
Purchases of investments	(992,862)	(1,096,408)
(Increase) decrease in other assets	(3,134)	819
Net cash used in investing activities	<u>(152,401)</u>	<u>(249,727)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Nine Months Ended March 31, 2021 and 2020
(\$000's Omitted)

	<u>3/31/2021</u>	<u>3/31/2020</u>
Cash flows from financing activities:		
Payments on indebtedness and bank borrowings	\$ -	(296,936)
Proceeds from finance leasing program	-	13,578
Proceeds from issuance of indebtedness	-	299,432
Bond issuance costs	-	(2,496)
Proceeds from restricted contributions and associated investment income	993	1,472
Payments on finance lease liabilities	(7,206)	(3,504)
Transfers to the University, net	(101,905)	(81,834)
Net cash used in financing activities	<u>(108,118)</u>	<u>(70,288)</u>
Net decrease in cash and cash equivalents	(23,163)	(69,573)
Cash and cash equivalents, beginning of year	<u>157,803</u>	<u>250,947</u>
Cash and cash equivalents, end of period	<u>\$ 134,640</u>	<u>181,374</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 17,969	32,216
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of March 31	\$ 12,880	20,563
Net transfers to the University of property and equipment	2,857	2,812
Net transfers payable (receivable) between the Health System and the University	2,682	1,719
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 29,367	27,682
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	60,856	56,526
Finance leases	6,096	16,017

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Nine Months Ended March 31, 2021 and 2020

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	9 months	9 months	9 months	9 months	9 months	9 months	9 months	9 months
	3/31/2021	3/31/2020	3/31/2021	3/31/2020	3/31/2021	3/31/2020	3/31/2021	3/31/2020
Adult Patient Days	236,757	233,752	63,744	62,760	39,234	38,524	339,735	335,036
Average Adult Daily Census	864	850	233	228	143	140	1,240	1,218
Licensed Beds	979	979	369	369	186	186	1,534	1,534
Average Number of Available Beds	1,009	978	348	343	186	186	1,543	1,507
Full Time Equivalents	9,805	9,177	2,117	1,992	1,861	1,738	20,691	19,351
Average Adult Occupancy	86%	87%	67%	67%	77%	75%	80%	81%
Adult Discharges	30,694	32,365	11,864	12,177	7,618	7,935	50,176	52,477
Average Adult Length of Stay	7.7	7.2	5.4	5.2	5.2	4.9	6.8	6.4
Medicare Case Mix Index	2.5919	2.4888	1.8083	1.7198	2.1297	1.9912	-	-
Number of Deliveries	2,534	2,554	1,964	1,829	-	-	4,498	4,383
Surgical Procedures	30,967	31,329	13,231	12,991	13,146	12,751	57,344	57,071
Endoscopy Procedures	11,604	10,995	3,622	3,907	2,851	2,485	18,077	17,387
Emergency Department Visits	48,590	57,621	37,881	43,833	27,727	33,205	114,198	134,659
Outpatient Visits ¹								
ED Outpatient & CEU	37,819	47,923	31,018	37,320	22,814	28,447	91,651	113,690
Observation Visits	8,974	8,766	6,051	7,090	6,168	7,011	21,193	22,867
Clinic Visits	881,886	752,938	99,126	90,736	246,604	175,834	1,227,616	1,019,508
Outpatient Surgeries and Endoscopies	27,595	26,802	13,437	13,048	12,586	11,544	53,618	51,394
DPC Visits	560,610	600,991	-	-	-	-	560,610	600,991
Total Outpatient Visits	<u>1,516,884</u>	<u>1,437,420</u>	<u>149,632</u>	<u>148,194</u>	<u>288,172</u>	<u>222,836</u>	<u>1,954,688</u>	<u>1,808,450</u>
Gross Revenues by Payor								
Medicare	28.7%	29.1%	28.7%	30.1%	32.6%	33.2%	29.0%	29.4%
Medicare Managed Care	15.3%	14.1%	21.3%	18.6%	20.7%	19.6%	16.8%	15.4%
Medicaid	13.2%	11.8%	10.2%	9.0%	6.8%	5.8%	11.6%	10.3%
Commercial	34.9%	36.1%	31.3%	30.2%	34.0%	33.5%	35.2%	35.9%
Self-pay	2.9%	4.1%	5.6%	9.0%	2.8%	4.7%	3.2%	4.7%
Other	4.9%	4.8%	2.8%	3.1%	3.2%	3.1%	4.3%	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.

¹Outpatient visits include (A) 171,893 in telehealth visits and (B) hospital lab-only COVID tests and COVID vaccines of 239,408 visits for the nine months ended March 31, 2021.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidating Statements of Operations (Unaudited)

For the Nine Months Ended March 31, 2021 and 2020

(\$000's Omitted)

	Duke University Hospital	Duke Regional Hospital	Duke Raleigh Hospital	All Other Affiliates & Eliminations	Consolidated
Revenues, gains and other support without donor restrictions:					
Net patient service revenue	\$ 2,025,886	310,204	430,337	180,025	2,946,452
Other revenue	102,817	12,373	26,826	101,846	243,862
Total revenues, gains and other support	<u>2,128,703</u>	<u>322,577</u>	<u>457,163</u>	<u>281,871</u>	<u>3,190,314</u>
Expenses:					
Salaries, wages and benefits	730,922	159,874	137,217	448,943	1,476,956
Medical supplies	561,629	64,786	138,510	91,682	856,607
Interest	13,174	2,337	2,567	71	18,149
Depreciation	59,603	15,215	15,930	40,020	130,768
Other operating expenses	658,918	88,448	115,162	(276,907)	585,621
Total expenses	<u>2,024,246</u>	<u>330,660</u>	<u>409,386</u>	<u>303,809</u>	<u>3,068,101</u>
Operating income (loss)	<u>\$ 104,457</u>	<u>(8,083)</u>	<u>47,777</u>	<u>(21,938)</u>	<u>122,213</u>