

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
September 30, 2021 and 2020

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

September 30, 2021 and 2020

(\$000's Omitted)

Assets	9/30/2021	9/30/2020
Current Assets:		
Cash and cash equivalents	\$ 85,132	98,907
Patient accounts receivable	553,240	455,077
Other receivables	68,310	55,124
Inventories of drugs and supplies	141,062	135,226
Short-term investments	563,945	866,939
Assets limited as to use	13,167	18,386
Other current assets	53,375	47,368
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Total current assets	1,478,231	1,677,027
Assets limited as to use	116,708	77,396
Investments	4,801,598	3,319,248
Property and equipment, net	2,258,758	2,104,427
Right-of-use operating lease assets	355,572	353,026
Other noncurrent assets	63,867	53,238
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Total assets	\$ 9,074,734	7,584,362
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Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 191,376	206,977
Accrued salaries, wages and vacation payable	250,527	220,247
Current portion of estimated third-party payor settlements	192,376	52,468
Current portion of postretirement and postemployment benefit obligations	8,682	8,026
Current portion of indebtedness	27,120	25,970
Current portion of finance lease liabilities	9,952	8,402
Current portion of operating lease liabilities	30,201	26,233
Other current liabilities	109,779	80,046
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Total current liabilities	820,013	628,369
Estimated third-party payor settlements, net of current portion	-	217,375
Postretirement and postemployment benefit obligations, net of current portion	299,849	807,730
Indebtedness, net of current portion	1,524,542	1,555,182
Finance lease liabilities, net of current portion	158,495	157,424
Operating lease liabilities, net of current portion	341,880	337,894
Derivative instruments	70,307	96,027
Other noncurrent liabilities	115,096	118,544
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Total liabilities	3,330,182	3,918,545
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Net Assets:		
Without donor restrictions	5,669,002	3,605,376
With donor restrictions	75,550	60,441
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Total net assets	5,744,552	3,665,817
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Total liabilities and net assets	\$ 9,074,734	7,584,362
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DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Operations (Unaudited)
For the Three Months Ended September 30, 2021 and 2020
(\$000's Omitted)

	9/30/2021	9/30/2020
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 1,052,633	970,261
Other revenue	68,489	66,746
Total revenues, gains and other support	1,121,122	1,037,007
Expenses:		
Salaries, wages and benefits	539,032	488,364
Medical supplies	299,371	286,708
Interest	7,782	6,384
Depreciation and amortization	50,130	42,695
Other operating expenses	204,091	190,441
Total expenses	1,100,406	1,014,592
Operating income	20,716	22,415
Nonoperating income:		
Investment income	69,158	194,013
Nonoperating components of net periodic benefit cost	6,777	324
Other	135	(120)
Total nonoperating income	76,070	194,217
Excess of revenue over expenses	96,786	216,632
Change in funded status of defined benefit plans	9,023	6,986
Net assets released from restrictions for purchase of property and equipment	106	31
Transfers to the University, net	(40,782)	(42,296)
Increase in net assets without donor restrictions	\$ 65,133	181,353

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Three Months Ended September 30, 2021 and 2020
(\$000's Omitted)

	9/30/2021	9/30/2020
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 96,786	216,632
Change in funded status of defined benefit plans	9,023	6,986
Net assets released from restrictions for purchase of property and equipment	106	31
Transfers to the University, net	(40,782)	(42,296)
Increase in net assets without donor restrictions	65,133	181,353
Net assets with donor restrictions:		
Contributions for restricted purposes	589	275
Transfers to the University, net	-	(265)
Net assets released from restrictions used for operations	(471)	(691)
Net assets released from restrictions for purchase of property and equipment	(106)	(31)
Net realized and unrealized gains	839	1,593
Increase in net assets with donor restrictions	851	881
Increase in net assets	65,984	182,234
Net assets, beginning of year	5,678,568	3,483,583
Net assets, end of period	\$ 5,744,552	3,665,817

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Three Months Ended September 30, 2021 and 2020
(\$000's Omitted)

	<u>9/30/2021</u>	<u>9/30/2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 65,984	182,234
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	50,130	42,695
Amortization of debt issuance costs and premium	(839)	(828)
Investment income	(69,677)	(195,312)
Net (income) loss on other investments and disposals of property and equipment	(125)	122
Nonperiodic changes in defined benefit plans	(9,023)	(6,986)
Transfers to the University, net	40,782	42,561
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(347)	(303)
Changes in operating assets and liabilities:		
Patient accounts receivable	(42,949)	(24,986)
Other receivables	(21,045)	(14,046)
Inventories of drugs and supplies	(529)	(8,810)
Right-of-use operating lease assets, net of operating lease liabilities	1,292	1,454
Other assets	(14,103)	(1,431)
Accounts payable	3,604	(6,760)
Accrued salaries, wages and vacation payable	(9,038)	(9,806)
Estimated third-party payor settlements payable	(36,727)	(36,332)
Postretirement and postemployment benefit obligation	7,435	16,451
Other liabilities	(4,831)	46,645
Net cash (used in) provided by operating activities	<u>(40,006)</u>	<u>26,562</u>
Cash flows from investing activities:		
Capital expenditures	(60,425)	(100,011)
(Increase) decrease in assets limited as to use	(271)	524
Sales of investments	579,852	257,932
Purchases of investments	(441,139)	(198,193)
(Increase) decrease in other assets	(4,946)	37
Net cash provided by (used in) investing activities	<u>73,071</u>	<u>(39,711)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Three Months Ended September 30, 2021 and 2020
(\$000's Omitted)

	<u>9/30/2021</u>	<u>9/30/2020</u>
Cash flows from financing activities:		
Proceeds from restricted contributions and associated investment income	\$ 347	303
Payments on finance lease liabilities	(4,195)	(3,775)
Transfers to the University, net	(42,613)	(42,275)
Net cash used in financing activities	<u>(46,461)</u>	<u>(45,747)</u>
Net decrease in cash and cash equivalents	(13,396)	(58,896)
Cash and cash equivalents, beginning of year	<u>98,528</u>	<u>157,803</u>
Cash and cash equivalents, end of period	<u>\$ 85,132</u>	<u>98,907</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 5,939	6,067
Recoupments of Medicare accelerated advance payments included in cash flow from operations	(38,329)	-
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of September 30	\$ (10,720)	11,493
Net transfers to the University of property and equipment	832	948
Net transfers payable between the Health System and the University	785	54
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 10,022	8,901
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	8,174	32,720
Finance leases	380	311

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Three Months Ended September 30, 2021 and 2020

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	3 months 9/30/2021	3 months 9/30/2020	3 months 9/30/2021	3 months 9/30/2020	3 months 9/30/2021	3 months 9/30/2020	3 months 9/30/2021	3 months 9/30/2020
Adult Patient Days	81,287	78,871	23,640	21,315	12,457	13,095	117,384	113,281
Average Adult Daily Census	884	857	257	232	135	142	1,276	1,231
Licensed Beds	1,048	979	388	369	186	186	1,622	1,534
Average Number of Available Beds	1,018	995	362	348	186	186	1,566	1,529
Full Time Equivalents	9,905	9,769	2,294	2,125	1,936	1,853	21,097	20,453
Average Adult Occupancy	87%	86%	71%	67%	73%	77%	81%	81%
Adult Discharges	10,548	10,273	3,984	4,058	2,231	2,580	16,763	16,911
Average Adult Length of Stay	7.7	7.7	5.9	5.3	5.6	5.1	7.0	6.7
Medicare Case Mix Index	2.6362	2.5621	1.7055	1.7864	1.9788	2.1554	-	-
Number of Deliveries	927	898	737	684	-	-	1,664	1,582
Surgical Procedures	10,125	10,204	5,110	4,423	4,280	4,339	19,515	18,966
Endoscopy Procedures	4,191	3,914	1,143	1,246	988	978	6,322	6,138
Emergency Department Visits	18,897	16,488	11,509	12,978	10,484	9,419	40,890	38,885
Outpatient Visits ¹								
ED Outpatient & CEU	15,134	13,331	9,315	10,695	8,871	7,775	33,320	31,801
Observation Visits	3,619	3,008	2,247	1,926	2,598	1,989	8,464	6,923
Clinic Visits	282,343	277,538	36,553	28,470	81,682	74,413	400,578	380,421
Outpatient Surgeries and Endoscopies	9,416	8,985	5,292	4,434	4,421	4,093	19,129	17,512
DPC Visits	218,967	182,866	-	-	-	-	218,967	182,866
Total Outpatient Visits	<u>529,479</u>	<u>485,728</u>	<u>53,407</u>	<u>45,525</u>	<u>97,572</u>	<u>88,270</u>	<u>680,458</u>	<u>619,523</u>
Gross Revenues by Payor								
Medicare	25.6%	28.5%	25.9%	27.7%	30.6%	32.8%	26.1%	28.7%
Medicare Managed Care	16.8%	14.2%	23.0%	21.1%	22.0%	20.4%	18.2%	16.0%
Medicaid	12.3%	13.4%	10.2%	9.2%	6.8%	6.6%	11.0%	11.6%
Commercial	36.0%	34.7%	31.1%	30.2%	34.2%	33.2%	36.0%	34.8%
Self-pay	4.0%	4.3%	6.6%	9.2%	3.5%	4.2%	4.2%	4.8%
Other	5.3%	4.9%	3.3%	2.5%	2.9%	2.8%	4.5%	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.

¹ Outpatient visits include (A) 22,404 and 58,310 in telehealth visits and (B) 29,345 and 40,258 in hospital lab-only COVID tests and COVID vaccines for the three months ended September 30, 2021 and 2020, respectively.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidating Statements of Operations (Unaudited)
For the Three Months Ended September 30, 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:					
Patient service revenue	\$ 723,293	107,868	145,068	76,404	1,052,633
Other revenue	28,243	5,609	4,443	30,194	68,489
Total revenues, gains and other support	<u>751,536</u>	<u>113,477</u>	<u>149,511</u>	<u>106,598</u>	<u>1,121,122</u>
Expenses:					
Salaries, wages and benefits	262,179	61,422	51,804	163,627	539,032
Medical supplies	198,439	22,664	47,894	30,374	299,371
Interest	5,063	1,309	1,401	9	7,782
Depreciation	21,845	7,204	7,931	13,150	50,130
Other operating expenses	231,646	30,907	42,085	(100,547)	204,091
Total expenses	<u>719,172</u>	<u>123,506</u>	<u>151,115</u>	<u>106,613</u>	<u>1,100,406</u>
Operating income (loss)	<u>\$ 32,364</u>	<u>(10,029)</u>	<u>(1,604)</u>	<u>(15)</u>	<u>20,716</u>