

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
December 31, 2021 and 2020

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

December 31, 2021 and 2020

(\$000's Omitted)

Assets	12/31/2021	12/31/2020
Current Assets:		
Cash and cash equivalents	\$ 93,031	52,116
Patient accounts receivable	554,680	476,978
Other receivables	37,537	49,141
Inventories of drugs and supplies	144,976	140,145
Short-term investments	551,948	792,692
Assets limited as to use	13,167	18,386
Other current assets	59,822	49,912
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Total current assets	1,455,161	1,579,370
Assets limited as to use	103,733	79,589
Investments	4,824,831	3,645,802
Property and equipment, net	2,267,741	2,157,675
Right-of-use operating lease assets	376,016	354,582
Other noncurrent assets	63,280	56,619
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Total assets	\$ 9,090,762	7,873,637
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Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 207,928	199,708
Accrued salaries, wages and vacation payable	256,981	232,408
Current portion of estimated third-party payor settlements	141,835	39,634
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	10,028	8,697
Current portion of operating lease liabilities	29,094	27,044
Other current liabilities	140,917	158,188
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Total current liabilities	822,585	699,675
Estimated third-party payor settlements, net of current portion	-	182,125
Postretirement and postemployment benefit obligations, net of current portion	298,082	817,145
Indebtedness, net of current portion	1,523,703	1,554,301
Finance lease liabilities, net of current portion	158,184	157,922
Operating lease liabilities, net of current portion	366,622	340,300
Derivative instruments	65,273	88,598
Other noncurrent liabilities	87,499	138,213
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Total liabilities	3,321,948	3,978,279
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Net Assets:		
Without donor restrictions	5,709,131	3,832,787
With donor restrictions	59,683	62,571
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Total net assets	5,768,814	3,895,358
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Total liabilities and net assets	\$ 9,090,762	7,873,637
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DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

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

	<u>12/31/2021</u>	<u>12/31/2020</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 2,106,709	1,973,641
Other revenue	143,073	123,300
Total revenues, gains and other support	<u>2,249,782</u>	<u>2,096,941</u>
Expenses:		
Salaries, wages and benefits	1,096,717	978,760
Medical supplies	598,126	580,472
Interest	16,301	12,390
Depreciation and amortization	101,081	86,142
Other operating expenses	395,050	384,179
Total expenses	<u>2,207,275</u>	<u>2,041,943</u>
Operating income	<u>42,507</u>	<u>54,998</u>
Nonoperating income:		
Investment income	87,201	413,970
Nonoperating components of net periodic benefit cost	13,554	649
Other	(3,039)	(1,205)
Total nonoperating income	<u>97,716</u>	<u>413,414</u>
Excess of revenue over expenses	140,223	468,412
Change in funded status of defined benefit plans	18,047	13,972
Net assets released from restrictions for purchase of property and equipment	16,436	546
Transfers to the University, net	<u>(69,444)</u>	<u>(74,166)</u>
Increase in net assets without donor restrictions	\$ <u>105,262</u>	<u>408,764</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Changes in Net Assets (Unaudited)

For the Six Months Ended December 31, 2021 and 2020

(\$000's Omitted)

	<u>12/31/2021</u>	<u>12/31/2020</u>
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 140,223	468,412
Change in funded status of defined benefit plans	18,047	13,972
Net assets released from restrictions for purchase of property and equipment	16,436	546
Transfers to the University, net	<u>(69,444)</u>	<u>(74,166)</u>
Increase in net assets without donor restrictions	<u>105,262</u>	<u>408,764</u>
Net assets with donor restrictions:		
Contributions for restricted purposes	1,676	4,649
Transfers to the University, net	(25)	(314)
Net assets released from restrictions used for operations	(1,324)	(4,245)
Net assets released from restrictions for purchase of property and equipment	(16,436)	(546)
Net realized and unrealized gains	<u>1,093</u>	<u>3,467</u>
(Decrease) increase in net assets with donor restrictions	<u>(15,016)</u>	<u>3,011</u>
Increase in net assets	90,246	411,775
Net assets, beginning of year	<u>5,678,568</u>	<u>3,483,583</u>
Net assets, end of period	<u>\$ 5,768,814</u>	<u>3,895,358</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

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

	<u>12/31/2021</u>	<u>12/31/2020</u>
Cash flows from operating activities:		
Increase in net assets	\$ 90,246	411,775
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	101,081	86,142
Amortization of debt issuance costs and premium	(1,678)	(1,815)
Investment income	(87,660)	(416,844)
Net loss on other investments and disposals of property and equipment	3,489	1,314
Nonperiodic changes in defined benefit plans	(18,047)	(13,972)
Transfers to the University, net	69,469	74,480
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(847)	(691)
Changes in operating assets and liabilities:		
Patient accounts receivable	(44,389)	(46,887)
Other receivables	9,728	(8,063)
Inventories of drugs and supplies	(4,443)	(13,729)
Right-of-use operating lease assets, net of operating lease liabilities	4,483	3,115
Other assets	(21,606)	(9,792)
Accounts payable	26,245	(5,909)
Accrued salaries, wages and vacation payable	(2,584)	2,355
Estimated third-party payor settlements payable	(87,268)	(84,416)
Postretirement and postemployment benefit obligation	14,692	32,852
Other liabilities	792	148,162
Net cash provided by operating activities	<u>51,703</u>	<u>158,077</u>
Cash flows from investing activities:		
Capital expenditures	(127,158)	(204,644)
Decrease (increase) in assets limited as to use	526	(70)
Sales of investments	1,030,757	559,881
Purchases of investments	(878,043)	(539,953)
Increase in other assets	(7,446)	(3,170)
Net cash provided by (used in) investing activities	<u>18,636</u>	<u>(187,956)</u>

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

	<u>12/31/2021</u>	<u>12/31/2020</u>
Cash flows from financing activities:		
Proceeds from restricted contributions and associated investment income	\$ 847	691
Payments on finance lease liabilities	(6,094)	(5,355)
Transfers to the University, net	<u>(70,589)</u>	<u>(71,144)</u>
Net cash used in financing activities	<u>(75,836)</u>	<u>(75,808)</u>
Net decrease in cash and cash equivalents	(5,497)	(105,687)
Cash and cash equivalents, beginning of year	<u>98,528</u>	<u>157,803</u>
Cash and cash equivalents, end of period	<u>\$ 93,031</u>	<u>52,116</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 19,277	16,582
Recoupments of Medicare accelerated advance payments included in cash flow from operations	(76,031)	-
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of December 31	\$ (16,805)	3,412
Net transfers to the University of property and equipment	1,636	1,940
Net transfers payable between the Health System and the University	693	2,112
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 20,264	17,694
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	40,222	42,796
Finance leases	833	1,430

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Six Months Ended December 31, 2021 and 2020

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	6 months 12/31/2021	6 months 12/31/2020	6 months 12/31/2021	6 months 12/31/2020	6 months 12/31/2021	6 months 12/31/2020	6 months 12/31/2021	6 months 12/31/2020
Adult Patient Days	162,671	157,844	47,916	42,831	25,519	26,641	236,106	227,316
Average Adult Daily Census	884	858	260	233	139	145	1,283	1,235
Licensed Beds	1,048	979	388	369	186	186	1,622	1,534
Average Number of Available Beds	1,016	1,002	362	348	186	186	1,564	1,536
Full Time Equivalents	9,902	9,801	2,288	2,107	1,952	1,859	21,089	20,595
Average Adult Occupancy	87%	86%	72%	67%	75%	78%	82%	80%
Adult Discharges	20,942	20,768	8,031	8,059	4,588	5,223	33,561	34,050
Average Adult Length of Stay	7.8	7.6	6.0	5.3	5.6	5.1	7.0	6.7
Medicare Case Mix Index	2.6245	2.5659	1.7448	1.8017	2.0304	2.1390	-	-
Number of Deliveries	1,884	1,750	1,486	1,319	-	-	3,370	3,069
Surgical Procedures	20,449	20,867	10,656	8,906	8,790	8,864	39,895	38,637
Endoscopy Procedures	8,152	7,743	2,130	2,424	2,045	1,989	12,327	12,156
Emergency Department Visits	36,767	32,835	22,939	25,750	20,466	18,820	80,172	77,405
Outpatient Visits ¹								
ED Outpatient & CEU	29,285	26,121	18,532	21,152	17,300	15,511	65,117	62,784
Observation Visits	7,185	5,924	4,524	3,848	5,385	4,035	17,094	13,807
Clinic Visits	567,239	560,785	71,779	55,855	163,989	152,075	803,007	768,715
Outpatient Surgeries and Endoscopies	18,698	18,295	10,828	8,893	8,970	8,430	38,496	35,618
DPC Visits	438,167	372,104	-	-	-	-	438,167	372,104
Total Outpatient Visits	<u>1,060,574</u>	<u>983,229</u>	<u>105,663</u>	<u>89,748</u>	<u>195,644</u>	<u>180,051</u>	<u>1,361,881</u>	<u>1,253,028</u>
Gross Revenues by Payor								
Medicare	25.8%	28.1%	26.2%	27.6%	30.4%	32.2%	26.2%	28.4%
Medicare Managed Care	17.1%	14.6%	22.9%	20.9%	22.1%	20.4%	18.4%	16.2%
Medicaid	12.8%	12.7%	9.9%	9.0%	6.8%	6.4%	11.3%	11.0%
Commercial	35.9%	35.2%	31.4%	30.8%	34.7%	34.2%	36.1%	35.4%
Self-pay	3.3%	4.5%	6.4%	9.0%	3.0%	3.9%	3.6%	4.9%
Other	5.1%	4.8%	3.3%	2.8%	3.0%	3.0%	4.4%	4.1%
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) 45,993 and 119,052 in telehealth visits and (B) 61,937 and 86,063 in hospital lab-only COVID tests and COVID vaccines for the six months ended December 31, 2021 and 2020, respectively.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidating Statements of Operations (Unaudited)
For the Six Months Ended December 31, 2021 and 2020
(S000'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:					
Patient service revenue	\$ 1,430,432	219,083	308,202	148,992	2,106,709
Other revenue	<u>58,118</u>	<u>11,444</u>	<u>8,260</u>	<u>65,251</u>	<u>143,073</u>
Total revenues, gains and other support	<u>1,488,550</u>	<u>230,527</u>	<u>316,462</u>	<u>214,243</u>	<u>2,249,782</u>
Expenses:					
Salaries, wages and benefits	532,329	125,450	105,630	333,308	1,096,717
Medical supplies	391,710	47,289	96,114	63,013	598,126
Interest	10,536	2,720	3,024	21	16,301
Depreciation	43,912	14,555	16,298	26,316	101,081
Other operating expenses	<u>456,309</u>	<u>61,955</u>	<u>82,277</u>	<u>(205,491)</u>	<u>395,050</u>
Total expenses	<u>1,434,796</u>	<u>251,969</u>	<u>303,343</u>	<u>217,167</u>	<u>2,207,275</u>
Operating income (loss)	\$ <u>53,754</u>	<u>(21,442)</u>	<u>13,119</u>	<u>(2,924)</u>	<u>42,507</u>