

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
March 31, 2022 and 2021

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

March 31, 2022 and 2021

(\$000's Omitted)

Assets	3/31/2022	3/31/2021
Current Assets:		
Cash and cash equivalents	\$ 59,859	134,640
Patient accounts receivable	582,300	496,360
Other receivables	41,938	56,615
Inventories of drugs and supplies	143,880	140,841
Short-term investments	583,468	774,832
Assets limited as to use	13,167	18,386
Other current assets	53,326	43,377
Total current assets	1,477,938	1,665,051
Assets limited as to use	107,491	85,812
Investments	4,831,099	3,964,710
Property and equipment, net	2,259,763	2,198,334
Right-of-use operating lease assets	374,556	361,525
Other noncurrent assets	61,864	54,526
Total assets	\$ 9,112,711	8,329,958
 Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 224,728	206,890
Accrued salaries, wages and vacation payable	245,001	224,177
Current portion of estimated third-party payor settlements	117,718	121,156
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	10,135	9,678
Current portion of operating lease liabilities	28,183	29,823
Other current liabilities	117,232	126,904
Total current liabilities	778,799	752,624
Estimated third-party payor settlements, net of current portion	-	141,000
Postretirement and postemployment benefit obligations, net of current portion	308,207	767,055
Indebtedness, net of current portion	1,522,703	1,553,401
Finance lease liabilities, net of current portion	158,604	161,005
Operating lease liabilities, net of current portion	366,857	345,757
Derivative instruments	49,957	70,761
Other noncurrent liabilities	88,810	111,158
Total liabilities	3,273,937	3,902,761
Net Assets:		
Without donor restrictions	5,777,559	4,360,476
With donor restrictions	61,215	66,721
Total net assets	5,838,774	4,427,197
Total liabilities and net assets	\$ 9,112,711	8,329,958

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Nine Months Ended March 31, 2022 and 2021
(\$000's Omitted)

	<u>3/31/2022</u>	<u>3/31/2021</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 3,125,895	2,946,452
Other revenue	221,363	243,862
Total revenues, gains and other support	<u>3,347,258</u>	<u>3,190,314</u>
Expenses:		
Salaries, wages and benefits	1,645,584	1,476,956
Medical supplies	895,962	856,607
Interest	26,644	18,149
Depreciation and amortization	153,956	130,768
Other operating expenses	598,287	585,621
Total expenses	<u>3,320,433</u>	<u>3,068,101</u>
Operating income	<u>26,825</u>	<u>122,213</u>
Nonoperating income (loss):		
Investment income	199,454	843,245
Nonoperating components of net periodic benefit cost	20,331	973
Other, net	(3,811)	(5,183)
Total nonoperating income	<u>215,974</u>	<u>839,035</u>
Excess of revenue over expenses	242,799	961,248
Change in funded status of defined benefit plans	16,031	81,071
Net assets released from restrictions for purchase of property and equipment	16,436	547
Transfers to the University, net	<u>(101,576)</u>	<u>(106,413)</u>
Increase in net assets without donor restrictions	<u>\$ 173,690</u>	<u>936,453</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Nine Months Ended March 31, 2022 and 2021
(\$000's Omitted)

	3/31/2022	3/31/2021
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 242,799	961,248
Change in funded status of defined benefit plans	16,031	81,071
Net assets released from restrictions for purchase of property and equipment	16,436	547
Transfers to the University, net	(101,576)	(106,413)
Increase in net assets without donor restrictions	173,690	936,453
Net assets with donor restrictions:		
Contributions for restricted purposes	2,878	10,415
Transfers to the University, net	(46)	(314)
Net assets released from restrictions used for operations	(2,328)	(9,706)
Net assets released from restrictions for purchase of property and equipment	(16,436)	(547)
Net realized and unrealized gains	2,448	7,313
(Decrease) increase in net assets with donor restrictions	(13,484)	7,161
Increase in net assets	160,206	943,614
Net assets, beginning of year	5,678,568	3,483,583
Net assets, end of period	\$ 5,838,774	4,427,197

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended March 31, 2022 and 2021
(\$000's Omitted)

	<u>3/31/2022</u>	<u>3/31/2021</u>
Cash flows from operating activities:		
Increase in net assets	\$ 160,206	943,614
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	153,956	130,768
Amortization of debt issuance costs and premium	(2,513)	(2,715)
Investment income	(200,877)	(849,667)
Net loss on other investments and disposals of property and equipment	4,310	5,318
Nonperiodic changes in defined benefit plans	(16,031)	(81,071)
Transfers to the University, net	101,622	106,727
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(1,296)	(993)
Changes in operating assets and liabilities:		
Patient accounts receivable	(72,009)	(66,269)
Other receivables	5,327	(15,483)
Inventories of drugs and supplies	(3,347)	(14,425)
Right-of-use operating lease assets, net of operating lease liabilities	5,267	4,408
Other assets	(13,586)	(524)
Accounts payable	37,415	(8,121)
Accrued salaries, wages and vacation payable	(14,564)	(5,876)
Estimated third-party payor settlements payable	(111,385)	(44,019)
Postretirement and postemployment benefit obligation	22,801	49,861
Other liabilities	(20,457)	85,823
Net cash provided by operating activities	<u>34,839</u>	<u>237,356</u>
Cash flows from investing activities:		
Capital expenditures	(165,943)	(276,712)
Decrease (increase) in assets limited as to use	404	(523)
Sales of investments	1,268,608	1,120,830
Purchases of investments	(1,059,369)	(992,862)
Increase in other assets	(7,446)	(3,134)
Net cash provided by (used in) investing activities	<u>36,254</u>	<u>(152,401)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Nine Months Ended March 31, 2022 and 2021
(\$000's Omitted)

	3/31/2022	3/31/2021
Cash flows from financing activities:		
Bond issuance costs	\$ (165)	-
Proceeds from restricted contributions and associated investment income	1,296	993
Payments on finance lease liabilities	(8,048)	(7,206)
Transfers to the University, net	(102,845)	(101,905)
Net cash used in financing activities	(109,762)	(108,118)
Net decrease in cash and cash equivalents	(38,669)	(23,163)
Cash and cash equivalents, beginning of year	98,528	157,803
Cash and cash equivalents, end of period	\$ 59,859	134,640
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 20,440	17,969
Recoupments of Medicare accelerated advance payments included in cash flow from operations	(126,171)	-
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of March 31	\$ (11,118)	12,880
Net transfers to the University of property and equipment	2,419	2,857
Net transfers (receivable) payable between the Health System and the University	(193)	2,682
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 30,187	29,367
Right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	47,543	60,856
Finance leases	2,073	6,096

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Nine Months Ended March 31, 2022 and 2021

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	9 months 3/31/2022	9 months 3/31/2021	9 months 3/31/2022	9 months 3/31/2021	9 months 3/31/2022	9 months 3/31/2021	9 months 3/31/2022	9 months 3/31/2021
Adult Patient Days	242,858	236,757	73,144	63,743	40,184	39,234	356,186	339,734
Average Adult Daily Census	886	864	267	233	147	143	1,300	1,240
Licensed Beds	1,048	979	388	369	186	186	1,622	1,534
Average Number of Available Beds	1,011	1,009	362	348	186	186	1,559	1,543
Full Time Equivalents	9,835	9,805	2,272	2,116	1,949	1,860	20,992	20,688
Average Adult Occupancy	88%	86%	74%	67%	79%	77%	83%	80%
Adult Discharges	30,618	30,589	12,027	11,766	7,034	7,551	49,679	49,906
Average Adult Length of Stay	7.9	7.7	6.1	5.4	5.7	5.2	7.2	6.8
Medicare Case Mix Index	2.6497	2.6026	1.7392	1.8096	2.0380	2.1297	-	-
Number of Deliveries	2,782	2,578	2,158	1,964	-	-	4,940	4,542
Surgical Procedures	29,656	30,967	16,204	13,231	13,023	13,146	58,883	57,344
Endoscopy Procedures	11,836	11,604	3,177	3,622	3,020	2,851	18,033	18,077
Emergency Department Visits	53,928	48,590	33,700	37,881	30,598	27,727	118,226	114,198
Outpatient Visits ¹								
ED Outpatient & CEU	42,899	38,269	26,967	31,018	25,672	22,814	95,538	92,101
Observation Visits	10,367	9,255	6,406	6,069	7,743	6,106	24,516	21,430
Clinic Visits	855,773	881,152	111,138	98,286	243,477	246,664	1,210,388	1,226,102
Outpatient Surgeries and Endoscopies	26,927	27,598	16,489	13,439	13,103	12,588	56,519	53,625
DPC Visits	646,943	560,610	-	-	-	-	646,943	560,610
Total Outpatient Visits	<u>1,582,909</u>	<u>1,516,884</u>	<u>161,000</u>	<u>148,812</u>	<u>289,995</u>	<u>288,172</u>	<u>2,033,904</u>	<u>1,953,868</u>
Gross Revenues by Payor								
Medicare	25.4%	28.1%	25.5%	27.3%	29.6%	32.0%	25.7%	28.3%
Medicare Managed Care	17.7%	15.3%	23.2%	21.3%	22.8%	20.8%	19.0%	16.8%
Medicaid	12.9%	12.5%	10.1%	9.2%	7.0%	6.5%	11.4%	10.9%
Commercial	35.5%	34.7%	31.5%	30.7%	34.5%	33.8%	35.8%	34.9%
Self-pay	3.3%	4.5%	6.4%	8.7%	3.1%	3.9%	3.7%	4.8%
Other	5.2%	4.9%	3.2%	2.8%	2.9%	3.1%	4.4%	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) 75,278 and 171,463 in telehealth visits and (B) 80,050 and 239,408 in hospital lab-only COVID tests and COVID vaccines for the nine months ended March 31, 2022 and 2021, respectively.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidating Statements of Operations (Unaudited)

For the Nine Months Ended March 31, 2022

(\$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	\$ 2,114,375	338,334	465,965	207,221	3,125,895
Other revenue	<u>97,604</u>	<u>17,862</u>	<u>10,245</u>	<u>95,652</u>	<u>221,363</u>
Total revenues, gains and other support	<u>2,211,979</u>	<u>356,196</u>	<u>476,210</u>	<u>302,873</u>	<u>3,347,258</u>
Expenses:					
Salaries, wages and benefits	800,684	189,215	158,920	496,765	1,645,584
Medical supplies	588,314	70,543	143,574	93,531	895,962
Interest	17,369	4,344	4,898	33	26,644
Depreciation	67,902	21,929	24,166	39,959	153,956
Other operating expenses	<u>688,058</u>	<u>93,501</u>	<u>123,003</u>	<u>(306,275)</u>	<u>598,287</u>
Total expenses	<u>2,162,327</u>	<u>379,532</u>	<u>454,561</u>	<u>324,013</u>	<u>3,320,433</u>
Operating income (loss)	\$ <u>49,652</u>	<u>(23,336)</u>	<u>21,649</u>	<u>(21,140)</u>	<u>26,825</u>