

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
December 31, 2022 and 2021

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

December 31, 2022 and 2021

(\$000's Omitted)

Assets	12/31/2022	12/31/2021
Current Assets:		
Cash and cash equivalents	\$ 91,562	93,031
Patient accounts receivable	622,443	554,680
Estimated third-party payor settlements, net	59,394	-
Other receivables	38,342	37,537
Inventories of drugs and supplies	151,591	144,976
Short-term investments	307,758	551,948
Assets limited as to use	17,045	13,167
Other current assets	61,709	59,822
	1,349,844	1,455,161
Assets limited as to use	135,475	103,733
Investments	4,425,179	4,824,831
Property and equipment, net	2,232,774	2,267,741
Prepaid pension asset	90,892	-
Right-of-use operating lease assets	323,273	376,016
Other noncurrent assets	68,828	63,280
	\$ 8,626,265	9,090,762
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 222,165	207,928
Accrued salaries, wages and vacation payable	263,118	256,981
Estimated third-party payor settlements	-	141,835
Current portion of postretirement and postemployment benefit obligations	8,850	8,682
Current portion of indebtedness	30,963	27,120
Current portion of finance lease liabilities	9,402	10,028
Current portion of operating lease liabilities	26,774	29,094
Commercial paper	49,762	-
Other current liabilities	104,497	140,917
	715,531	822,585
Postretirement and postemployment benefit obligations, net of current portion	74,180	298,082
Indebtedness, net of current portion	1,489,546	1,523,703
Finance lease liabilities, net of current portion	152,390	158,184
Operating lease liabilities, net of current portion	323,443	366,622
Other noncurrent liabilities	114,337	152,772
	2,869,427	3,321,948
Net Assets:		
Without donor restrictions	5,697,693	5,709,131
With donor restrictions	59,145	59,683
	5,756,838	5,768,814
Total liabilities and net assets	\$ 8,626,265	9,090,762

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 2,254,227	2,106,709
Other revenue	115,713	143,073
Total revenues, gains and other support	<u>2,369,940</u>	<u>2,249,782</u>
Expenses:		
Salaries, wages and benefits	1,230,459	1,096,717
Medical supplies	637,817	598,126
Interest	25,598	16,301
Depreciation and amortization	105,864	101,081
Other operating expenses	440,186	395,050
Total expenses	<u>2,439,924</u>	<u>2,207,275</u>
Operating (loss) income	<u>(69,984)</u>	<u>42,507</u>
Nonoperating income (loss):		
Investment income	79,186	87,201
Nonoperating components of net periodic benefit cost	19,632	13,554
Other, net	(17)	(3,039)
Total nonoperating income	<u>98,801</u>	<u>97,716</u>
Excess of revenue over expenses	28,817	140,223
Change in funded status of defined benefit plans	2,068	18,047
Net assets released from restrictions for purchase of property and equipment	-	16,436
Transfers to the University, net	<u>(77,587)</u>	<u>(69,444)</u>
(Decrease) increase in net assets without donor restrictions	\$ <u><u>(46,702)</u></u>	<u><u>105,262</u></u>

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

	12/31/2022	12/31/2021
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 28,817	140,223
Change in funded status of defined benefit plans	2,068	18,047
Net assets released from restrictions for purchase of property and equipment	-	16,436
Transfers to the University, net	(77,587)	(69,444)
(Decrease) increase in net assets without donor restrictions	(46,702)	105,262
Net assets with donor restrictions:		
Contributions for restricted purposes	2,718	1,676
Transfers to the University, net	-	(25)
Net assets released from restrictions used for operations	(1,691)	(1,324)
Net assets released from restrictions for purchase of property and equipment	-	(16,436)
Net realized and unrealized gains	690	1,093
Increase (decrease) in net assets with donor restrictions	1,717	(15,016)
(Decrease) increase in net assets	(44,985)	90,246
Net assets, beginning of year	5,801,823	5,678,568
Net assets, end of period	\$ 5,756,838	5,768,814

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (44,985)	90,246
Adjustments to reconcile (decrease) increase in net assets to net cash used in operating activities:		
Depreciation and amortization	105,864	101,081
Amortization of debt issuance costs, premium and discount	(1,429)	(1,678)
Investment income	(79,080)	(87,660)
Net loss on other investments and disposals of property and equipment	286	3,489
Nonperiodic changes in defined benefit plans	(2,068)	(18,047)
Transfers to the University, net	77,587	69,469
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(1,335)	(847)
Changes in operating assets and liabilities:		
Patient accounts receivable	(71,934)	(44,389)
Estimated third-party payor settlements, net	(101,782)	(87,268)
Other receivables	(862)	15,838
Inventories of drugs and supplies	(8,541)	(4,443)
Right-of-use operating lease assets, net of operating lease liabilities	1,103	4,483
Pension asset and postretirement and postemployment benefit obligations	(5,749)	14,692
Other assets	(20,480)	(21,606)
Accounts payable	(4,970)	26,245
Accrued salaries, wages and vacation payable	(6,788)	(2,584)
Other liabilities	18,584	(5,318)
Net cash (used in) provided by operating activities	<u>(146,579)</u>	<u>51,703</u>
Cash flows from investing activities:		
Capital expenditures	(71,630)	(127,158)
(Increase) decrease in assets limited as to use	(2,055)	526
Sales of investments	969,208	1,030,757
Purchases of investments	(782,564)	(878,043)
Increase in other assets	(6,738)	(7,446)
Net cash provided by investing activities	<u>106,221</u>	<u>18,636</u>

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

	<u>12/31/2022</u>	<u>12/31/2021</u>
Cash flows from financing activities:		
Proceeds from restricted contributions and associated investment income	\$ 1,335	847
Payments on finance lease liabilities	(6,557)	(6,094)
Proceeds from issuance of commercial paper	49,664	-
Transfers to the University, net	<u>(73,806)</u>	<u>(70,589)</u>
Net cash used in financing activities	<u>(29,364)</u>	<u>(75,836)</u>
Net decrease in cash and cash equivalents	(69,722)	(5,497)
Cash and cash equivalents, beginning of year	<u>161,284</u>	<u>98,528</u>
Cash and cash equivalents, end of period	<u>\$ 91,562</u>	<u>93,031</u>
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 28,299	19,277
Recoupments of Medicare accelerated advance payments included in cash flow from operations	(43,665)	(76,031)
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of December 31	\$ (5,646)	(16,805)
Net transfers to the University of property and equipment	1,550	1,636
Net transfers payable between the Health System and the University	2,815	693
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 18,135	20,264
Increase (decrease) in right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	(7,788)	40,222
Finance leases	196	833

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Six Months Ended December 31, 2022 and 2021

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	6 months 12/31/2022	6 months 12/31/2021	6 months 12/31/2022	6 months 12/31/2021	6 months 12/31/2022	6 months 12/31/2021	6 months 12/31/2022	6 months 12/31/2021
Adult Patient Days	167,984	162,671	50,866	47,916	28,526	25,519	247,376	236,106
Average Adult Daily Census	913	884	276	260	155	139	1,344	1,283
Licensed Beds	1,048	1,048	388	388	186	186	1,622	1,622
Average Number of Available Beds	1,033	1,016	363	362	186	186	1,582	1,564
Full Time Equivalents	9,914	9,902	2,280	2,288	2,016	1,952	21,330	21,089
Average Adult Occupancy	88%	87%	76%	72%	83%	75%	85%	82%
Adult Discharges	21,067	20,778	7,908	7,951	5,048	4,544	34,023	33,273
Average Adult Length of Stay	8.0	7.8	6.4	6.0	5.7	5.6	7.3	7.1
Medicare Case Mix Index	2.6656	2.6243	1.8067	1.7386	2.0336	2.0304	-	-
Number of Deliveries	2,295	1,916	1,340	1,486	-	-	3,635	3,402
Surgical Procedures	18,798	20,449	11,888	10,656	8,717	8,790	39,403	39,895
Endoscopy Procedures	8,406	8,152	2,501	2,130	2,092	2,045	12,999	12,327
Emergency Department Visits	38,700	36,767	22,284	22,939	23,494	20,466	84,478	80,172
Outpatient Visits								
ED Outpatient & CEU	30,485	29,284	17,811	18,532	20,013	17,300	68,309	65,116
Observation Visits	8,145	8,226	4,916	4,679	5,157	5,263	18,218	18,168
Clinic Visits	556,003	566,194	78,253	71,554	158,338	164,108	792,594	801,856
Outpatient Surgeries and Endoscopies	17,681	18,703	12,259	10,830	8,613	8,973	38,553	38,506
DPC Visits	-	-	-	-	-	-	455,247	438,167
Total Outpatient Visits	<u>612,314</u>	<u>622,407</u>	<u>113,239</u>	<u>105,595</u>	<u>192,121</u>	<u>195,644</u>	<u>1,372,921</u>	<u>1,361,813</u>
Gross Revenues by Payor								
Medicare	24.3%	25.5%	24.1%	25.7%	28.7%	30.1%	24.6%	25.9%
Medicare Managed Care	19.3%	17.1%	25.1%	23.0%	24.5%	22.1%	20.6%	18.4%
Medicaid	13.5%	12.3%	9.7%	9.4%	7.1%	6.7%	11.8%	10.9%
Commercial	34.8%	35.5%	32.3%	30.7%	34.2%	34.4%	35.3%	35.7%
Self-pay	3.0%	4.7%	5.5%	7.9%	2.8%	3.7%	3.3%	4.8%
Other	5.2%	5.0%	3.2%	3.3%	2.8%	2.9%	4.4%	4.3%
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, 2022

(\$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:					
Patient service revenue	\$ 1,552,181	232,303	335,758	133,985	2,254,227
Other revenue	<u>34,893</u>	<u>6,628</u>	<u>10,574</u>	<u>63,618</u>	<u>115,713</u>
Total revenues, gains and other support	<u>1,587,074</u>	<u>238,931</u>	<u>346,332</u>	<u>197,603</u>	<u>2,369,940</u>
Expenses:					
Salaries, wages and benefits	612,089	138,462	117,816	362,092	1,230,459
Medical supplies	429,256	47,253	99,015	62,293	637,817
Interest	17,298	4,013	4,266	21	25,598
Depreciation	48,755	14,144	16,394	26,571	105,864
Other operating expenses	<u>504,681</u>	<u>70,717</u>	<u>88,092</u>	<u>(223,304)</u>	<u>440,186</u>
Total expenses	<u>1,612,079</u>	<u>274,589</u>	<u>325,583</u>	<u>227,673</u>	<u>2,439,924</u>
Operating income (loss)	\$ <u>(25,005)</u>	<u>(35,658)</u>	<u>20,749</u>	<u>(30,070)</u>	<u>(69,984)</u>