

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
June 30, 2023 and 2022

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

June 30, 2023 and 2022

(\$000's Omitted)

Assets	6/30/2023	6/30/2022
Current Assets:		
Cash and cash equivalents	\$ 115,088	161,284
Patient accounts receivable	623,984	550,509
Estimated third-party payor settlements, net	74,333	-
Other receivables	41,289	31,164
Inventories of drugs and supplies	122,981	143,050
Short-term investments	390,840	444,351
Assets limited as to use	22,108	17,045
Other current assets	57,366	46,037
	1,447,989	1,393,440
Assets limited as to use	138,866	105,863
Investments	4,302,336	4,437,035
Property and equipment, net	2,163,362	2,274,057
Prepaid pension asset	-	83,654
Right-of-use operating lease assets	306,228	346,641
Other noncurrent assets	65,196	59,750
	\$ 8,423,977	8,700,440
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 202,645	233,469
Accrued salaries, wages and vacation payable	264,882	269,905
Estimated third-party payor settlements, net	-	42,388
Current portion of postretirement and postemployment benefit obligations	8,657	8,850
Commercial paper	248,386	-
Current portion of long-term debt	32,987	30,963
Current portion of finance lease liabilities	7,984	9,864
Current portion of operating lease liabilities	22,778	28,202
Other current liabilities	47,985	82,563
	836,304	706,205
Postretirement and postemployment benefit obligations, net of current portion	99,607	74,759
Long-term debt, net of current portion	1,455,042	1,491,073
Finance lease liabilities, net of current portion	133,022	160,635
Operating lease liabilities, net of current portion	310,769	344,280
Other noncurrent liabilities	114,182	121,665
	2,948,926	2,898,617
Net Assets:		
Without donor restrictions	5,414,071	5,744,395
With donor restrictions	60,980	57,428
	5,475,051	5,801,823
Total liabilities and net assets	\$ 8,423,977	8,700,440

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Twelve Months Ended June 30, 2023 and 2022
(\$000's Omitted)

	<u>6/30/2023</u>	<u>6/30/2022</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 4,589,450	4,196,547
Other revenue	247,877	286,482
Total revenues, gains and other support	<u>4,837,327</u>	<u>4,483,029</u>
Expenses:		
Salaries, wages and benefits	2,474,569	2,215,310
Medical supplies	1,334,598	1,196,544
Interest	57,295	37,584
Depreciation and amortization	213,583	209,069
Other operating expenses	909,285	838,051
Total expenses	<u>4,989,330</u>	<u>4,496,558</u>
Operating loss	<u>(152,003)</u>	<u>(13,529)</u>
Nonoperating income (loss):		
Investment income (loss)	42,531	(88,170)
Nonoperating components of net periodic benefit cost	39,264	27,108
Other, net	(8,067)	(4,531)
Total nonoperating income (loss)	<u>73,728</u>	<u>(65,593)</u>
Deficit of revenue over expenses	(78,275)	(79,122)
Change in funded status of defined benefit plans	(119,082)	341,027
Net assets released from restrictions for purchase of property and equipment	85	16,460
Transfers to the University, net	<u>(133,052)</u>	<u>(137,839)</u>
(Decrease) increase in net assets without donor restrictions	\$ <u><u>(330,324)</u></u>	<u><u>140,526</u></u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Twelve Months Ended June 30, 2023 and 2022
(\$000's Omitted)

	6/30/2023	6/30/2022
Net assets without donor restrictions:		
Deficit of revenue over expenses	\$ (78,275)	(79,122)
Change in funded status of defined benefit plans	(119,082)	341,027
Net assets released from restrictions for purchase of property and equipment	85	16,460
Transfers to the University, net	(133,052)	(137,839)
(Decrease) increase in net assets without donor restrictions	(330,324)	140,526
Net assets with donor restrictions:		
Contributions for restricted purposes	10,278	5,160
Transfers from (to) the University, net	5	(61)
Net assets released from restrictions used for operations	(4,468)	(3,467)
Net assets released from restrictions for purchase of property and equipment	(85)	(16,460)
Net realized and unrealized losses	(2,178)	(2,443)
Increase (decrease) in net assets with donor restrictions	3,552	(17,271)
(Decrease) increase in net assets	(326,772)	123,255
Net assets, beginning of year	5,801,823	5,678,568
Net assets, end of period	\$ 5,475,051	5,801,823

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Twelve Months Ended June 30, 2023 and 2022
(\$000's Omitted)

	<u>6/30/2023</u>	<u>6/30/2022</u>
Cash flows from operating activities:		
(Decrease) increase in net assets	\$ (326,772)	123,255
Adjustments to reconcile (decrease) increase in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	213,583	209,069
Amortization of debt issuance costs, premium and discount	(2,375)	(3,345)
Investment (income) loss	(40,365)	90,355
Net loss on other investments and disposals of property and equipment	11,157	5,508
Nonperiodic changes in defined benefit plans	119,082	(341,027)
Transfers to the University, net	133,047	137,900
Donor-restricted contributions for long-term investment and capital projects and associated investment income	(663)	(181)
Changes in operating assets and liabilities:		
Patient accounts receivable	(73,475)	(40,218)
Estimated third-party payor settlements, net	(116,721)	(186,715)
Other receivables	(9,968)	16,280
Inventories of drugs and supplies	20,069	(2,513)
Right-of-use operating lease assets, net of operating lease liabilities	1,478	10,624
Pension asset and postretirement and postemployment benefit obligations	(10,773)	30,863
Other assets	(18,934)	(3,767)
Accounts payable	1,922	30,919
Accrued salaries, wages and vacation payable	(5,024)	10,289
Other liabilities	(28,157)	(60,233)
Net cash (used in) provided by operating activities	<u>(132,889)</u>	<u>27,063</u>
Cash flows from investing activities:		
Capital expenditures	(159,181)	(218,846)
(Increase) decrease in assets limited as to use	(6,019)	429
Sales of investments	1,581,121	2,045,494
Purchases of investments	(1,398,837)	(1,607,605)
Increase in other assets	(6,738)	(9,380)
Net cash provided by investing activities	<u>10,346</u>	<u>210,092</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Cash Flows, Continued (Unaudited)
For the Twelve Months Ended June 30, 2023 and 2022
(\$000's Omitted)

	6/30/2023	6/30/2022
Cash flows from financing activities:		
Payments on long-term debt	\$ (30,963)	(307,270)
Proceeds from issuance of long-term debt	-	280,150
Proceeds from issuance of commercial paper	594,831	-
Payments on commercial paper	(347,114)	-
Proceeds from restricted contributions and associated investment income	663	181
Payments on finance lease liabilities	(10,467)	(10,047)
Transfers to the University, net	(130,603)	(137,413)
Net cash provided by (used in) financing activities	76,347	(174,399)
Net (decrease) increase in cash and cash equivalents	(46,196)	62,756
Cash and cash equivalents, beginning of year	161,284	98,528
Cash and cash equivalents, end of period	\$ 115,088	161,284
Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 59,481	38,641
Recoupments of Medicare accelerated advance payments included in cash flow from operations	(43,665)	(202,727)
Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of June 30	\$ (32,154)	4,093
Net transfers to the University of property and equipment	2,999	3,158
Net transfers payable (receivable) between the Health System and the University	31	(623)
Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 36,222	40,294
(Decrease) increase in right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	(10,364)	33,221
Finance leases	(19,245)	4,542

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Twelve Months Ended June 30, 2023 and 2022

	Duke University		Duke Regional		Duke Raleigh		DUHS Consolidated	
	Hospital		Hospital		Hospital			
	12 months 6/30/2023	12 months 6/30/2022	12 months 6/30/2023	12 months 6/30/2022	12 months 6/30/2023	12 months 6/30/2022	12 months 6/30/2023	12 months 6/30/2022
Adult Patient Days	330,729	322,535	99,902	97,719	55,202	54,223	485,833	474,477
Average Adult Daily Census	906	884	274	268	151	149	1,331	1,300
Licensed Beds	1,062	1,048	388	388	186	186	1,636	1,622
Average Number of Available Beds	1,040	1,010	363	362	186	186	1,589	1,558
Full Time Equivalents	9,945	9,766	2,288	2,264	2,042	1,948	21,461	20,915
Average Adult Occupancy	87%	87%	75%	74%	81%	80%	84%	83%
Adult Discharges	41,710	40,353	15,466	15,812	10,222	9,338	67,398	65,503
Average Adult Length of Stay (Rating Agency Calc)	7.9	8.0	6.5	6.2	5.4	5.8	7.2	7.2
Medicare Case Mix Index	2.6904	2.6767	1.7740	1.7192	2.0408	2.0509	2.3496	2.3330
Number of Deliveries	3,835	3,681	2,710	2,847	-	-	6,545	6,528
Surgical Procedures	39,156	39,742	24,483	22,045	18,043	17,379	81,682	79,166
Endoscopy Procedures	16,759	16,027	5,526	4,203	4,130	3,998	26,415	24,228
Emergency Department Visits	76,293	72,620	47,737	46,321	46,537	41,981	170,567	160,922
Outpatient Visits								
ED Outpatient & CEU	60,086	58,048	38,831	37,223	39,500	35,348	138,417	130,619
Observation Visits	14,450	13,042	8,275	7,166	7,180	7,140	29,905	27,348
Clinic Visits	1,133,223	1,139,938	162,963	150,251	333,030	324,102	1,629,216	1,614,291
Outpatient Surgeries and Endoscopies	36,604	36,430	25,931	22,329	17,589	17,456	80,124	76,215
Primary and Urgent Care Visits	-	-	-	-	-	-	925,553	863,194
Total Outpatient Visits	<u>1,244,363</u>	<u>1,247,458</u>	<u>236,000</u>	<u>216,969</u>	<u>397,299</u>	<u>384,046</u>	<u>2,803,215</u>	<u>2,711,667</u>
Gross Revenues by Payor								
Medicare	23.8%	25.2%	23.0%	25.1%	27.9%	29.4%	24.0%	25.5%
Medicare Managed Care	20.2%	18.1%	26.4%	23.7%	25.6%	23.1%	21.6%	19.4%
Medicaid	13.2%	13.1%	10.1%	10.3%	6.9%	7.2%	11.7%	11.6%
Commercial	34.7%	35.3%	32.2%	31.6%	34.0%	34.4%	35.2%	35.6%
Self-pay	2.9%	3.1%	5.3%	6.1%	2.8%	3.1%	3.1%	3.5%
Other	5.2%	5.3%	3.1%	3.1%	2.8%	2.9%	4.4%	4.5%
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 Twelve Months Ended June 30, 2023

(\$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	\$ 3,156,783	479,575	687,216	265,876	4,589,450
Other revenue	<u>81,594</u>	<u>13,903</u>	<u>21,684</u>	<u>130,696</u>	<u>247,877</u>
Total revenues, gains and other support	<u>3,238,377</u>	<u>493,478</u>	<u>708,900</u>	<u>396,572</u>	<u>4,837,327</u>
Expenses:					
Salaries, wages and benefits	1,218,200	279,108	238,218	739,043	2,474,569
Medical supplies	920,076	97,810	194,842	121,870	1,334,598
Interest	38,736	8,966	9,553	40	57,295
Depreciation	97,930	28,383	33,207	54,063	213,583
Other operating expenses	<u>1,024,044</u>	<u>146,380</u>	<u>181,920</u>	<u>(443,059)</u>	<u>909,285</u>
Total expenses	<u>3,298,986</u>	<u>560,647</u>	<u>657,740</u>	<u>471,957</u>	<u>4,989,330</u>
Operating (loss) income	\$ <u><u>(60,609)</u></u>	<u><u>(67,169)</u></u>	<u><u>51,160</u></u>	<u><u>(75,385)</u></u>	<u><u>(152,003)</u></u>