

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Financial Statements
March 31, 2025 and 2024

(Unaudited)

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Balance Sheets (Unaudited)

March 31, 2025 and 2024

(\$000's Omitted)

Assets	3/31/2025	3/31/2024
Current Assets:		
Cash and cash equivalents	\$ 171,747	62,151
Patient accounts receivable	915,555	797,404
Estimated third-party payor settlements, net	158,850	53,968
Other receivables	85,092	66,741
Inventories of drugs and supplies	146,573	134,000
Short-term investments	311,404	457,650
Assets limited as to use	303,894	22,108
Other current assets	54,003	53,255
Total current assets	2,147,118	1,647,277
Assets limited as to use	203,361	166,787
Investments	4,494,118	4,349,192
Property and equipment, net	2,131,150	2,148,698
Prepaid pension asset	132,308	-
Right-of-use operating lease assets	469,179	490,816
Other noncurrent assets	129,153	110,572
Total assets	\$ 9,706,387	8,913,342
Liabilities and Net Assets		
Current Liabilities:		
Accounts payable	\$ 200,286	207,877
Accrued salaries, wages and vacation payable	394,798	344,982
Current portion of postretirement and postemployment benefit obligations	8,791	8,657
Commercial paper	333,485	99,375
Current portion of long-term debt	34,339	32,987
Current portion of finance lease liabilities	9,665	13,741
Current portion of operating lease liabilities	39,056	34,426
Other current liabilities	90,282	83,834
Total current liabilities	1,110,702	825,879
Postretirement and postemployment benefit obligations, net of current portion	58,680	112,523
Long-term debt, net of current portion	1,716,179	1,602,967
Finance lease liabilities, net of current portion	130,677	138,924
Operating lease liabilities, net of current portion	459,419	484,240
Other noncurrent liabilities	144,413	129,266
Total liabilities	3,620,070	3,293,799
Net Assets:		
Without donor restrictions	6,005,555	5,556,136
With donor restrictions	80,762	63,407
Total net assets	6,086,317	5,619,543
Total liabilities and net assets	\$ 9,706,387	8,913,342

See accompanying note to the unaudited consolidated financial statements.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Operations (Unaudited)
For the Nine Months Ended March 31, 2025 and 2024
(\$000's Omitted)

	<u>3/31/2025</u>	<u>3/31/2024</u>
Revenues, gains and other support without donor restrictions:		
Patient service revenue	\$ 5,167,389	4,756,479
Other revenue	<u>144,560</u>	<u>138,709</u>
Total revenues, gains and other support	<u>5,311,949</u>	<u>4,895,188</u>
Expenses:		
Employee compensation and temporary labor	2,834,304	2,684,030
Medical supplies	1,335,823	1,181,207
Interest	54,144	58,827
Depreciation and amortization	150,242	154,670
State provider assessments	225,957	190,322
Other operating expenses	<u>634,595</u>	<u>568,446</u>
Total expenses	<u>5,235,065</u>	<u>4,837,502</u>
Operating income	<u>76,884</u>	<u>57,686</u>
Nonoperating income (loss):		
Investment income	120,952	241,900
Nonoperating components of net periodic benefit cost	50,441	37,499
Other, net	<u>316</u>	<u>(633)</u>
Total nonoperating income	<u>171,709</u>	<u>278,766</u>
Excess of revenue over expenses	248,593	336,452
Change in funded status of defined benefit plans	(14,806)	(30,079)
Net assets released from restrictions for purchase of property and equipment	12	274
Transfers to the University, net	<u>(204,719)</u>	<u>(164,582)</u>
Increase in net assets without donor restrictions	\$ <u>29,080</u>	<u>142,065</u>

See accompanying note to the unaudited consolidated financial statements.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES
Consolidated Statements of Changes in Net Assets (Unaudited)
For the Nine Months Ended March 31, 2025 and 2024
(\$000's Omitted)

	<u>3/31/2025</u>	<u>3/31/2024</u>
Net assets without donor restrictions:		
Excess of revenue over expenses	\$ 248,593	336,452
Change in funded status of defined benefit plans	(14,806)	(30,079)
Net assets released from restrictions for purchase of property and equipment	12	274
Transfers to the University, net	<u>(204,719)</u>	<u>(164,582)</u>
Increase in net assets without donor restrictions	<u>29,080</u>	<u>142,065</u>
Net assets with donor restrictions:		
Contributions for restricted purposes	17,893	4,270
Transfers (to) from the University, net	(42)	139
Net assets released from restrictions used for operations	(3,342)	(3,788)
Net assets released from restrictions for purchase of property and equipment	(12)	(274)
Net realized and unrealized gains	<u>1,248</u>	<u>2,080</u>
Increase in net assets with donor restrictions	<u>15,745</u>	<u>2,427</u>
Increase in net assets	44,825	144,492
Net assets, beginning of year	<u>6,041,492</u>	<u>5,475,051</u>
Net assets, end of period	<u>\$ 6,086,317</u>	<u>5,619,543</u>

See accompanying note to the unaudited consolidated financial statements.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows (Unaudited)
For the Nine Months Ended March 31, 2025 and 2024
(\$000's Omitted)

	<u>3/31/2025</u>	<u>3/31/2024</u>
Cash flows from operating activities:		
Increase in net assets	\$ 44,825	144,492
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Depreciation and amortization	150,242	154,670
Amortization of debt issuance costs, premium and discount	860	35
Investment income	(120,710)	(242,531)
Net loss on other investments and disposals of property and equipment	1,042	950
Nonperiodic changes in defined benefit plans	14,806	30,079
Transfers to the University, net	204,761	164,443
Restricted contributions for long-term investment and capital projects and associated investment income	(16,343)	(1,511)
Changes in operating assets and liabilities:		
Patient accounts receivable	(104,051)	(168,670)
Estimated third-party payor settlements, net	69,248	20,365
Other receivables	(20,320)	(19,001)
Inventories of drugs and supplies	(5,732)	(1,538)
Right-of-use operating lease assets, net of operating lease liabilities	1,512	2,213
Pension asset and postretirement and postemployment benefit obligations	(26,540)	(5,552)
Other assets	(12,672)	(10,784)
Accounts payable	(7,990)	(6,959)
Accrued salaries, wages and vacation payable	31,292	60,926
Other liabilities	(5,723)	34,729
Net cash provided by operating activities	<u>198,507</u>	<u>156,356</u>
Cash flows from investing activities:		
Capital expenditures	(107,702)	(79,154)
Acquisition of physician organization	-	(50,320)
Increase in assets limited as to use	(14,453)	(1,619)
Sales of investments	1,066,938	965,488
Purchases of investments	(851,237)	(866,797)
(Increase) decrease in other assets	<u>(5,477)</u>	<u>2,607</u>
Net cash provided by (used in) investing activities	<u>88,069</u>	<u>(29,795)</u>

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Statements of Cash Flows, Continued (Unaudited)

For the Nine Months Ended March 31, 2025 and 2024

(\$000's Omitted)

	<u>3/31/2025</u>	<u>3/31/2024</u>
Cash flows from financing activities:		
Proceeds from bank borrowings	\$ 150,000	150,000
Proceeds from issuance of commercial paper	878,511	641,464
Payments on commercial paper	(696,384)	(792,585)
Proceeds from restricted contributions and associated investment income	16,343	1,511
Payments on finance lease liabilities	(10,486)	(13,464)
Transfers to the University, net	<u>(198,026)</u>	<u>(166,424)</u>
Net cash provided by (used in) financing activities	<u>139,958</u>	<u>(179,498)</u>
 Net increase (decrease) in cash, cash equivalents, and restricted cash	426,534	(52,937)
 Cash, cash equivalents, and restricted cash at beginning of year	<u>30,556</u>	<u>115,088</u>
Cash, cash equivalents, and restricted cash at end of period	\$ <u><u>457,090</u></u>	<u><u>62,151</u></u>
 Supplemental disclosures of cash, cash equivalents, and restricted cash at end of period:		
Cash and cash equivalents	171,747	62,151
Restricted cash included in current assets limited as to use	<u>285,343</u>	<u>-</u>
Cash, cash equivalents, and restricted cash at end of period	\$ <u><u>457,090</u></u>	<u><u>62,151</u></u>
 Supplemental disclosures of cash flow information:		
Cash paid for interest, net of amount capitalized	\$ 44,470	49,762
 Supplemental disclosures of noncash investing/financing activities:		
Change in fixed asset payables as of March 31	\$ 20,423	9,943
Net transfers to the University of property and equipment	773	594
Net transfers payable to the University	22,364	9,069
 Supplemental cash flow information and noncash activity related to leases:		
Cash paid for operating lease liabilities	\$ 44,660	43,612
Increase in right-of-use assets obtained in exchange for lease liabilities:		
Operating leases	19,188	13,408
Finance leases	307	704

See accompanying note to the unaudited consolidated financial statements.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidated Utilization Statistics (Unaudited)

For the Nine Months Ended March 31, 2025 and 2024

	Duke University Hospital		Duke Regional Hospital		Duke Raleigh Hospital		DUHS Consolidated	
	9 months 3/31/2025	9 months 3/31/2024	9 months 3/31/2025	9 months 3/31/2024	9 months 3/31/2025	9 months 3/31/2024	9 months 3/31/2025	9 months 3/31/2024
Adult Patient Days	264,287	258,201	78,258	75,544	44,912	40,829	387,457	374,574
Average Adult Daily Census	965	939	286	275	164	148	1,414	1,362
Licensed Beds (1)	1,062	1,062	388	388	204	204	1,654	1,654
Average Number of Available Beds	1,082	1,056	363	363	211	204	1,656	1,623
Full Time Equivalents	10,459	10,348	2,243	2,142	2,168	2,086	27,304	26,450
Average Adult Occupancy	89%	89%	79%	76%	78%	73%	85%	84%
Adult Discharges	34,331	33,282	13,359	12,669	9,103	7,953	56,793	53,904
Average Adult Length of Stay	7.7	7.8	5.9	6.0	4.9	5.1	6.8	6.9
Medicare Case Mix Index	2.5514	2.6188	1.6175	1.6452	1.9578	1.9983	2.1986	2.2597
Number of Deliveries	2,785	2,967	2,031	2,062	-	-	4,816	5,029
Surgical Procedures	32,185	31,616	6,865	6,293	15,504	14,452	67,458	65,202
Endoscopy Procedures	13,050	12,205	4,228	3,923	2,863	3,082	20,141	19,210
Emergency Department Visits	60,269	57,122	46,604	44,206	34,574	35,879	141,447	137,207
Hospital Outpatient Visits	1,095,302	1,015,712	197,928	184,324	351,849	317,015	1,645,079	1,517,051
Duke Primary Care Visits	-	-	-	-	-	-	813,263	784,385
Duke Health Integrated Practice Visits	-	-	-	-	-	-	1,729,234	1,651,087
Gross Revenues by Payor								
Medicare	22.3%	22.6%	19.1%	20.5%	24.7%	26.2%	21.5%	22.1%
Medicare Managed Care	23.4%	21.9%	28.3%	28.4%	30.6%	28.4%	24.3%	22.9%
Medicaid	11.3%	12.1%	9.8%	10.4%	6.0%	6.3%	10.0%	10.7%
Commercial	36.0%	35.2%	35.5%	31.2%	34.1%	33.0%	37.7%	36.7%
Self-pay	1.9%	3.5%	4.3%	7.0%	1.8%	3.3%	2.2%	3.7%
Other	5.1%	4.7%	3.0%	2.6%	2.8%	2.8%	4.3%	4.0%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100%	100%

Note: Percentages may not sum to 100% due to rounding.

(1) Since August 2024, Duke University Hospital (DUH) has received multiple approvals from the North Carolina Department of Health and Human Services (NCDHHS) to temporarily increase its licensed beds by a total of 106 beds, allowing DUH to operate 1,168 beds through June 4, 2025. On April 1, 2025, Duke Regional Hospital transferred 7 licensed rehabilitation beds to Peak Rehabilitation Hospital, reducing its total licensed beds to 381. Since January 2025, Duke Raleigh Hospital (DRAH) has received two approvals from the NCDHHS to temporarily increase its licensed beds by a total of 20 beds, allowing DRAH to operate 224 beds through May 7, 2025.

DUKE UNIVERSITY HEALTH SYSTEM, INC. AND AFFILIATES

Consolidating Statements of Operations (Unaudited)

For the Nine Months Ended March 31, 2025

(\$000's Omitted)

	Duke University Hospital	Duke Regional Hospital	Duke Raleigh Hospital	Duke Health Integrated Practice	Duke Primary Care	All Other Affiliates & Eliminations	Consolidated
Revenues, gains and other support without donor restrictions:							
Patient service revenue	\$ 3,036,038	403,354	580,273	848,966	189,242	109,516	5,167,389
Other revenue	48,546	3,299	3,774	144,574	1,440	(57,073)	144,560
Total revenues, gains and other support	<u>3,084,584</u>	<u>406,653</u>	<u>584,047</u>	<u>993,540</u>	<u>190,682</u>	<u>52,443</u>	<u>5,311,949</u>
Expenses:							
Employee compensation and temporary labor	965,855	209,577	194,216	807,154	161,814	495,688	2,834,304
Medical supplies	920,848	64,637	146,013	80,731	21,504	102,090	1,335,823
Interest	37,010	7,563	9,161	390	-	20	54,144
Depreciation	69,823	16,356	24,281	14,176	5,568	20,038	150,242
State provider assessments	170,159	26,033	29,764	-	-	1	225,957
Other operating expenses	731,155	97,816	121,164	194,314	33,548	(543,402)	634,595
Total expenses	<u>2,894,850</u>	<u>421,982</u>	<u>524,599</u>	<u>1,096,765</u>	<u>222,434</u>	<u>74,435</u>	<u>5,235,065</u>
Operating income (loss)	<u>\$ 189,734</u>	<u>(15,329)</u>	<u>59,448</u>	<u>(103,225)</u>	<u>(31,752)</u>	<u>(21,992)</u>	<u>76,884</u>

See accompanying note to the unaudited consolidated financial statements.

**DUKE UNIVERSITY HEALTH SYSTEM, INC.
AND AFFILIATES**

Supplemental Note to the Consolidated Financial Statements (Unaudited)
March 31, 2025 and 2024
(\$000's Omitted)

Acquisition of Lake Norman Regional Medical Center

On April 1, 2025, the Health System purchased certain assets and assumed certain liabilities of Lake Norman Regional Medical Center from a subsidiary of Community Health Systems, Inc (CHS). The hospital was renamed Duke Health Lake Norman Hospital (DHLN). DHLN is a 123-bed community hospital located in Mooresville, NC, in southern Iredell County approximately 25 miles north of Charlotte. DHLN currently offers 24-hour emergency care, labor and delivery, neonatology, cardiology, general surgery, orthopedics, wound care, and outpatient imaging services including MRI and CT. It has several affiliated provider practices, including nine primary care and seven specialty practices that joined Duke Health Integrated Practice, Inc. on April 1, 2025. This acquisition establishes a local presence in the Charlotte-Metro area that allows the Health System to extend its clinical expertise to more patients within their home community.

The table below summarizes the cash paid into escrow on March 31, 2025, and reported as restricted cash in current assets limited as to use on the consolidated balance sheet as of March 31, 2025.

Estimated purchase price	\$ 284,253
Prepaid transition services to be provided by CHS	981
Transaction costs	109
Cash paid into escrow	<u>\$ 285,343</u>