



Financial Statements

2024/2025





Table of Contents

2	Discussion of Financial Results for Fiscal Year 2025
9	Statistical Highlights
10	Independent Auditors' Report
13	Consolidated Balance Sheets
14	Consolidated Statements of Activities
16	Consolidated Statements of Cash Flows
18	Notes to Consolidated Financial Statements
39	Schedule 1—University Balance Sheets (exclusive of DUHS)
40	Schedule 2—University Statements of Activities (exclusive of DUHS)
42	Schedule 3—University Statements of Cash Flows (exclusive of DUHS)

Duke University Finance Contacts

Daniel G. Ennis
Executive Vice President

Rachel L. Satterfield
Vice President for Finance and Treasurer

Barbara J. Hough
Associate Vice President for Finance and University Controller

Elizabeth H. Carver
Associate Controller, Accounting and Reporting

The cover of this report features the Karsh Alumni and Visitors Center.

Discussion of Financial Results for Fiscal Year 2025

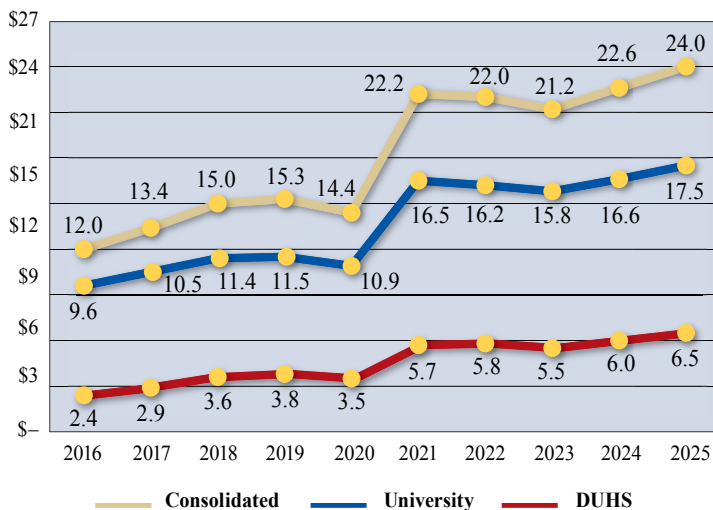
The Discussion of Financial Results (the Discussion) includes highly summarized data and should, therefore, be read in conjunction with the accompanying consolidated financial statements, notes, and supplementary schedules. All figures presented within the Discussion are consolidated and inclusive of Duke University (the University) and Duke University Health System, Inc. (DUHS) and collectively referred to herein as Duke, unless specifically designated otherwise.

Net Assets

Duke's consolidated net asset base increased \$1.4 billion in fiscal 2025 to \$24.0 billion as of June 30, 2025, primarily driven by strong investment performance, with a 9.0% return on Duke's Long-Term Pool (LTP) investments and an 8.7% return on DUHS' Health System Pool (HSP) investments, positive operating results from both the University and DUHS, and continued philanthropic support from generous donors.

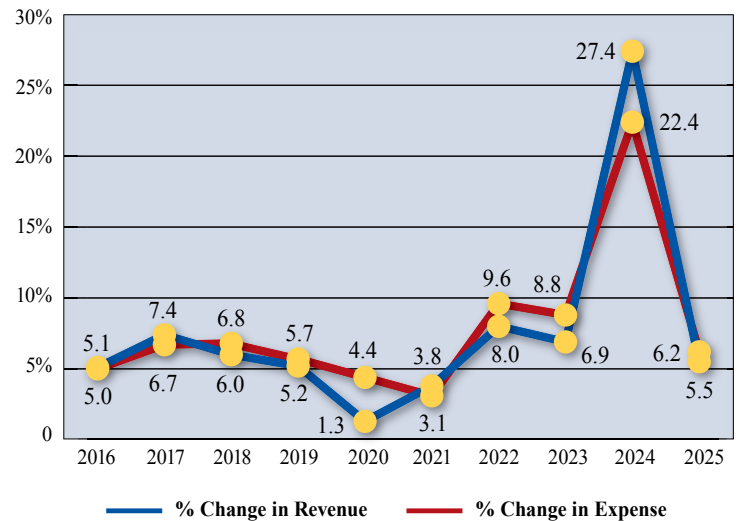
The graph below reflects the growth in net assets, individually and on a consolidated basis, in nominal terms over the past ten years. Over the time period, consolidated net assets have increased at a compound annual growth rate of 6%.

Consolidated Net Assets (\$ in billions)



The fiscal 2025 operating results declined \$61 million compared to fiscal 2024 as expense growth slightly outpaced revenue growth. The fiscal 2025 operating result reflects continued improvement in DUHS operations as well as the favorable impact of University cost reduction efforts implemented in response to the evolving federal research landscape. In fiscal 2024, the Duke Health Integrated Practice (DHIP) was established to integrate the private practice plan of the physician faculty of the School of Medicine within DUHS and promote seamless, coordinated, high quality and connected clinical care across Duke's integrated academic healthcare system, adding over \$1 billion in both operating revenue and expenses. Excluding the impact of DHIP, revenue and expense growth for fiscal 2024 was 13% and 9%, respectively.

Year-to-Year Change in Consolidated Operating Revenue and Expense (%)



The following table summarizes the major components of net assets activity in fiscal 2025 and 2024:

Summary of Changes in Consolidated Net Assets (in millions)

	2025	2024
Operating results		
University	\$ 230	\$ 239
Less: Operating support from DUHS	(264)	(236)
DUHS	160	183
Consolidated operating results	126	186
Nonoperating results:		
Investment return, net of spending	845	725
Restricted contributions, net of amounts released from restrictions	195	191
Other pension and postretirement benefit plan changes	181	240
Gains on interests in perpetual trusts held by others	36	27
Other	6	8
Change in net assets from nonoperating activities	1,263	1,191
Change in consolidated net assets	1,389	1,377
Total consolidated net assets	\$ 24,007	\$ 22,618

The operating results of the University and DUHS are detailed independently later in the Discussion. Nonoperating activities of Duke resulted in a net increase of \$1.3 billion in consolidated net assets in fiscal 2025 (compared to a net increase of \$1.2 billion in fiscal 2024) and include:

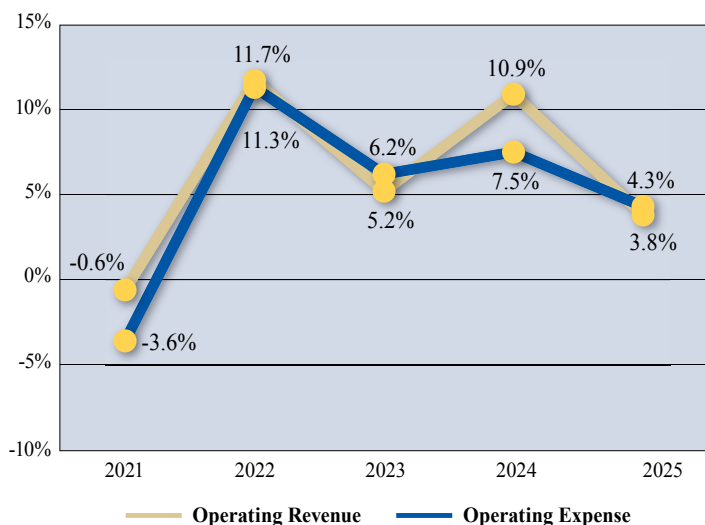
- Total investment returns, including the LTP and HSP, of \$1.7 billion and \$1.5 billion for fiscal 2025 and 2024, respectively. Fiscal 2025 results less amounts distributed to support operations of \$845 million compared to \$805 million for fiscal 2024. Duke’s investment programs and related outcomes are described in more detail within the “Investments/Endowments” segment of this Discussion.
- Restricted contributions primarily received for endowment and capital projects, net of amounts released from restrictions (\$74 million for each of fiscal 2025 and 2024).
- Other pension and postretirement benefit plan changes include an increase of \$181 million and \$240 million for fiscal 2025 and 2024, respectively. Fiscal year 2025 results reflect an improvement in the performance of plan assets, as well as an increase in the discount rates used to value the defined benefit pension and post retirement plan obligations.

University Operating Performance

The operating results of the University are presented in the supplemental Statements of Activities (Schedule 2 on page 44) following the notes to the consolidated financial statements. University operating activities primarily include all revenues and expenses that support education and research efforts, and are discussed in more detail in their respective segments of this Discussion.

The fiscal 2025 operating results of the University declined \$10 million compared to fiscal 2024. This decline reflects an increase of just over 4% in operating expenses, largely offset by an increase in operating revenues of just under 4%.

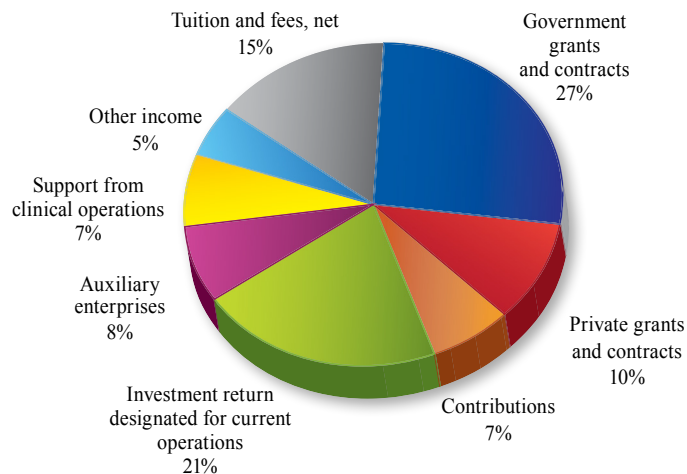
Year-to-Year Change in University Operating Revenue and Expense (%)



The University’s growth in operating revenues, including additional investment support (see “Investments/Endowments” section of this discussion) has consistently exceeded the growth in operating expenses since fiscal 2021, but was constrained in fiscal 2025 as federally sponsored research activity was impacted by changes in federal policies in spring 2025. Fiscal 2021 operating margins reflected significant COVID-19 related savings across virtually all expense categories, which more than offset revenue shortfalls. Fiscal 2022 operating revenue and expense growth reflects a significant return to near-normal operations, particularly in the spring semester. Fiscal 2023 and 2024 growth levels reflect the resumption of all campus activities. Fiscal 2025 revenue growth reflects the impact of significant changes in federally sponsored research policies while expense growth was negatively impacted by one-time costs associated with the University’s strategic realignment implemented in response to the uncertain environment. Through its strategic realignment initiative, the University continues to focus on operating performance improvement, including opportunities for revenue acceleration as well as continued focus on slowing expense growth.

In fiscal 2025, total operating revenues for the University increased \$149 million to \$4.1 billion. The University’s major revenue components are summarized below:

Fiscal 2025 University Operating Revenues by Source – \$4.1 billion



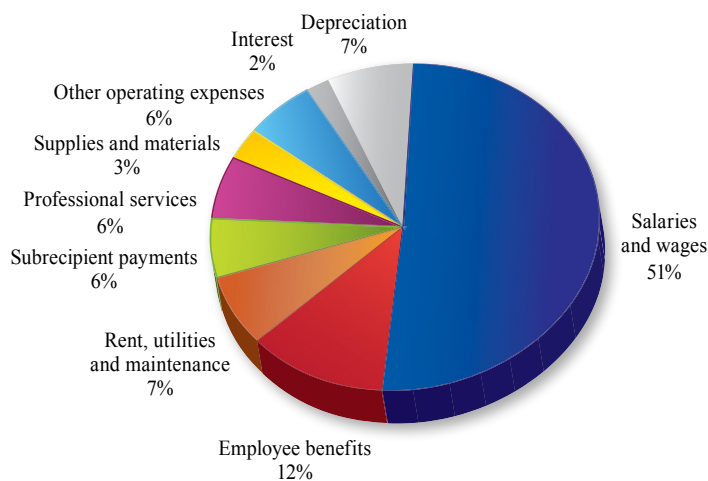
- Grants and contracts revenue represents the largest component of University revenue (\$1.5 billion and 37%). Revenue from these sources declined 1% from fiscal 2024 levels, as covered in detail within the “Sponsored Programs” segment of this Discussion.
- Tuition and fees reflect gross tuition and fees net of student financial aid provided by the University. Gross tuition and fees (\$1.1 billion) increased \$61 million, or 6%, compared to the prior year primarily within the Graduate School. Student financial aid (\$457 million) increased \$45 million, or 11% primarily within undergraduate and graduate financial aid.
- Investment return designated for current operations consists of endowment spending distributions, returns on other invested funds, and distributions from The Duke Endowment, and increased \$39

million, or 5%, in fiscal 2025. The changes in each component are covered in more detail within the “Investments/Endowments” segment of this Discussion.

- Support from clinical operations consists primarily of revenue from DUHS which supports the academic and research missions of the School of Medicine, but is eliminated for consolidation purposes. Total support from clinical operations increased \$27 million inclusive of \$16 million of additional support for faculty that provide clinical support to DHIP.
- Auxiliary enterprises revenue increased \$28 million compared to fiscal 2024, and reflects increased revenues within Athletics, as well as Board of Trustees (“the Board”) approved increases within residence life and housing operations.

Operating expenses for the University increased \$159 million to \$3.9 billion in fiscal 2025. The major components of University operating expenses are summarized below:

Fiscal 2025 University Operating Expenses – \$3.9 billion

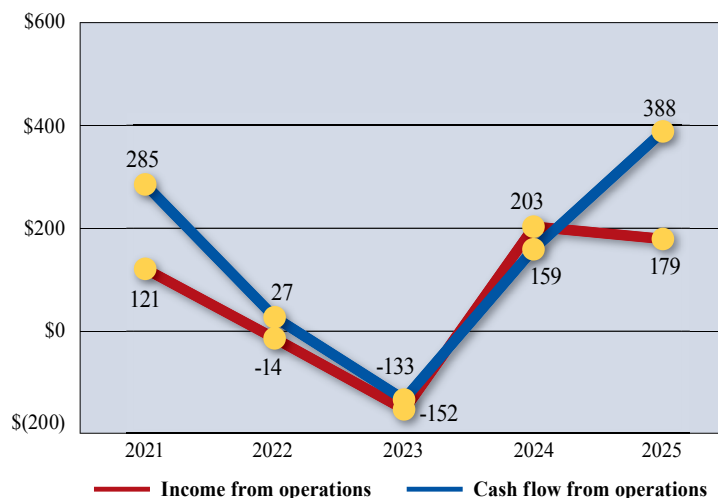


- Salaries, wages, and employee benefits represent \$2 billion, or 63%, of the University’s operating expenses. Labor-related expenses increased \$134 million, or 6%, in fiscal 2025, primarily reflecting merit-based salary increases for faculty and staff, as well as one-time costs associated with employment actions taken as a result of the University’s strategic realignment.
- Other operating expenses represented \$235 million, or 6%, of University operating expenses in fiscal 2025, and increased \$10 million, or 5% compared to the prior year.
- Depreciation expense represented 7% of total operating expenses in fiscal 2025. Fiscal 2025 capital activity is covered in detail within the “Capital Spending and Debt” segment of this Discussion.

DUHS Operating Performance

As detailed in Note 1 to the consolidated financial statements, DUHS operates as a controlled affiliate of the University and manages all of Duke’s clinical health operations and facilities. DUHS is consolidated into the financial statements of Duke under financial statement presentation requirements governing colleges and universities. This differs from requirements governing health care organizations used by DUHS in their separately issued financial statements. The fiscal 2025 net operating income (before academic transfers to the School of Medicine) reported in DUHS’ separately issued consolidated statement of operations is \$179 million, down from \$203 million reported in fiscal 2024. DUHS’ fiscal 2024 operating income was favorably impacted by retroactive adjustments related to the Healthcare Access and Stabilization Program (“HASP”) and the 340B Drug Pricing Program, which together totaled \$206 million in net operating income. Excluding the retroactive adjustments from DUHS’ fiscal year 2024 results, net operating income improved \$182 million in fiscal year 2025, reflecting a combination of greater net HASP impact, strong volume growth and operational efficiencies achieved. On April 1, 2025, DUHS acquired a 123-bed community hospital, now called Duke Health Lake Norman Hospital (DHLN), in Mooresville, North Carolina, expanding DUHS’ geographic coverage to the greater Charlotte, North Carolina area. DHLN’s financial results for the three months ended June 30, 2025 did not have a material impact on DUHS’ consolidated fiscal year 2025 operating results.

DUHS Net Operating Income and Cash Flow (\$ in millions)¹



Total DUHS operating revenue for fiscal 2025 increased \$463 million, or 7%, over the prior year. Excluding the impact of the retroactive adjustments (\$297 million) from the fiscal 2024 results, operating revenue increased \$760 million, or 12%, primarily due to volume growth, increased Medicaid Directed HASP payments (\$119 million) and growth in retail pharmacy revenue (\$117 million). Total

¹ Certain components of nonoperating activities in the DUHS consolidated statement of operations and statements of cash flows are reclassified as operating items in Duke’s consolidated statements of activities and statements of cash flows in order to conform to financial statement presentation generally followed by colleges and universities. Duke’s consolidated statements of activities and cash flows include \$160 million of net income from operations and \$278 million of implied cash inflows, respectively, from operations related to DUHS for fiscal 2025.

inpatient volumes, measured in number of adult discharges, increased by 5% and inpatient surgeries grew by 3%. Total outpatient visits grew by 6%, reflecting the continued shift of more procedures from the inpatient to the outpatient setting.

DUHS operating expenses for fiscal 2025 increased \$486 million, or 7%, over the prior year. Excluding the impact of the retroactive adjustments (\$91 million), operating expenses grew by \$577 million or 9%. Drugs and medical supplies expenses increased \$233 million, or 15%, due to volume growth and higher per-unit costs, particularly in the retail pharmacies. Labor costs increased \$150 million, or 4%, due to cyclical wage increases and to support the volume growth.

DUHS continues to provide care to patients who meet certain criteria under its financial assistance policies without charge or at amounts less than its established rates. In fiscal 2025, DUHS provided charity care with an estimated cost of \$169 million, a decrease of \$6 million compared to fiscal 2024. Total community benefit as defined by and reported to the Internal Revenue Service was \$339 million in fiscal 2025. Additionally, DUHS incurred costs totaling \$709 million in 2025 for unreimbursed services provided under Medicare and costs of \$36 million associated with uncollectible patient accounts, bringing its total investment in community benefits to \$1.1 billion in 2025. This represents a 6% increase from the \$1.0 billion invested in fiscal 2024, primarily due to the impact of retroactive adjustments described above. Excluding that impact, the total investment in community benefits decreased 12% primarily due to the increased Medicaid Directed HASP payments in fiscal 2025.

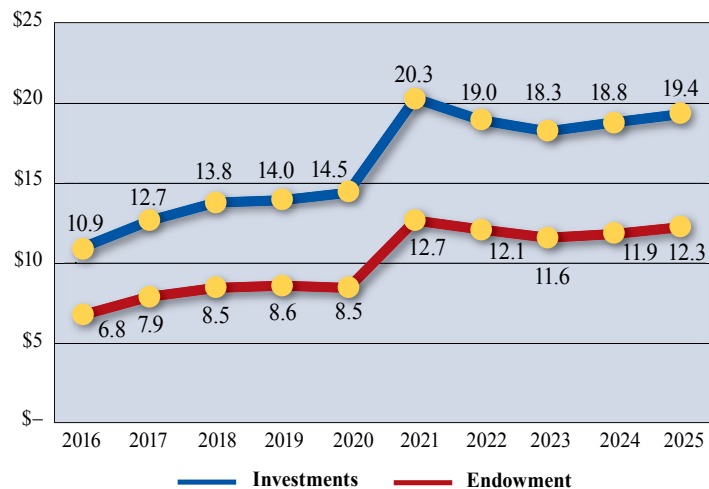
DUHS operating margins and positive cash flows from operating activities over the last ten years, combined with returns on its invested reserves, allowed DUHS to make transfers to the University primarily in support of the School of Medicine of \$2.0 billion during this time period. These transfers included a \$510 million non-recurring transfer of cash and investments to the School of Medicine on July 1, 2016 to fund certain quasi-endowments. DUHS continued its history of providing annual operating support for University-based medical faculty research and education with net transfers totaling \$263 million to the School of Medicine in fiscal 2025, also included in the \$2.0 billion total above.

Investments/Endowments

Responsibility for managing Duke’s investment portfolio rests with DUMAC, Inc. (DUMAC), a separate nonprofit support corporation organized and controlled by Duke. DUMAC invests Duke’s assets across domestic and international asset groups, principally through investment advisory firms and partnerships. Growth of the investment and endowment base is a critical factor in maintaining Duke’s financial strength and flexibility to meet current needs and fund future initiatives.

Duke’s investment portfolio primarily consists of debt, equity, and other investments within the LTP and the HSP. Duke’s investments have grown significantly over the last ten (10) years and total approximately \$19.4 billion as of June 30, 2025. Duke’s endowment (including interests in perpetual trusts held by others), now at \$12.3 billion, supports the current and future operations of the schools, academic departments, libraries and other facilities, and student financial aid.

Growth of Investments and Endowment
(June 30 values, \$ in billions)



DUHS accounts for \$5.3 billion of Duke’s cash and investment portfolio, which primarily represents unrestricted working capital, reinvested operating surpluses, and associated appreciation.

For fiscal 2025, the LTP, in which 98% of the endowment (excluding perpetual trusts) is invested, returned 9.0%. DUMAC seeks to achieve an annualized nominal rate of return of at least 8.0%, net of fees, to fund the LTP spending rate and to allow growth of the endowment after considering the effects of inflation. The total return on the HSP, a more liquid fund managed for DUHS, was 8.7% in 2025.

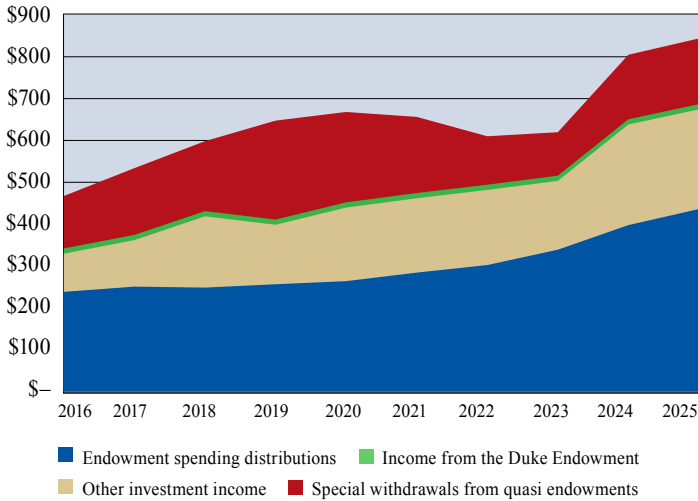
Fiscal Year Investment Returns¹

	2021	2022	2023	2024	2025
LTP	55.9%	-1.5%	-1.0%	8.0%	9.0%
HSP	51.0%	-1.5%	0.2%	8.8%	8.7%

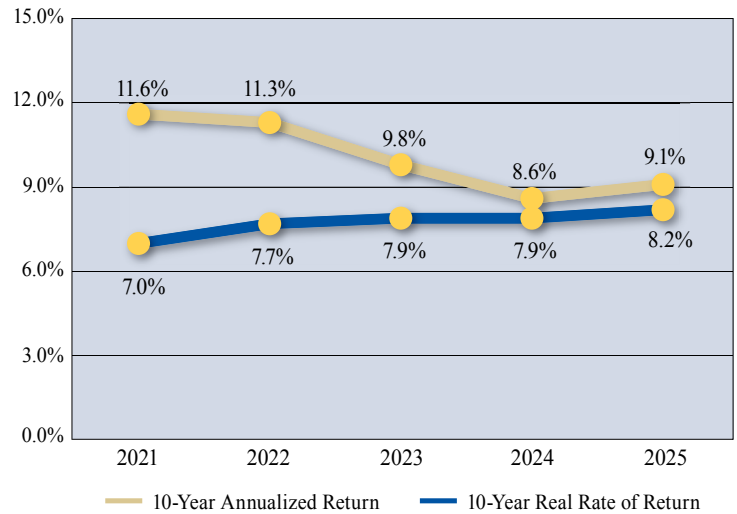
As Duke’s investment base has grown over the last ten (10) years, investment-related support has become a larger contributor to the current operations of the University. Investment returns supporting operations includes endowment spending, withdrawals from quasi-endowments, distributions from The Duke Endowment, and income from invested working capital that totaled \$844 million in fiscal 2025. This is a \$376 million, or 84%, increase from fiscal 2016 levels of investment support, and a \$39 million, or 5% increase compared to fiscal 2024.

¹ Net of external management fees but before internal costs.

Investment Return Supporting Current Operations
(\$ in millions – University Only)



LTP Ten Year Annualized Investment Returns (%)



To balance current and future needs, the University employs investment and spending policies designed to provide an appropriate flow of income to the operating budget while preserving the future purchasing power of the endowment assets in perpetuity. The LTP spending rate is set by the administration and approved by the Board. The effective spending rates for fiscal 2025 – based on June 30, 2024 investment market values – were 5.2% for financial aid endowments and 4.8% for non- financial aid endowments.

In addition, the Board authorizes the use of supplemental endowment distributions from quasi-endowments for special academic development initiatives and to support the operations, maintenance, and capital renewal of certain facilities. These supplemental distributions have grown from \$125 million in fiscal 2016 to \$157 million in fiscal 2025, peaking in 2019 and include distributions from two quasi-endowment funds established for the School of Medicine by DUHS to provide long-term academic support.

Other investment income is another major component of investment returns supporting current operations (\$238 million in fiscal 2025). Such support is generated through the corporate cash management strategies of Duke including distributions from non-endowment funds which are released under protocols approved by the Board as well as interest, dividends and realized gains on investments.

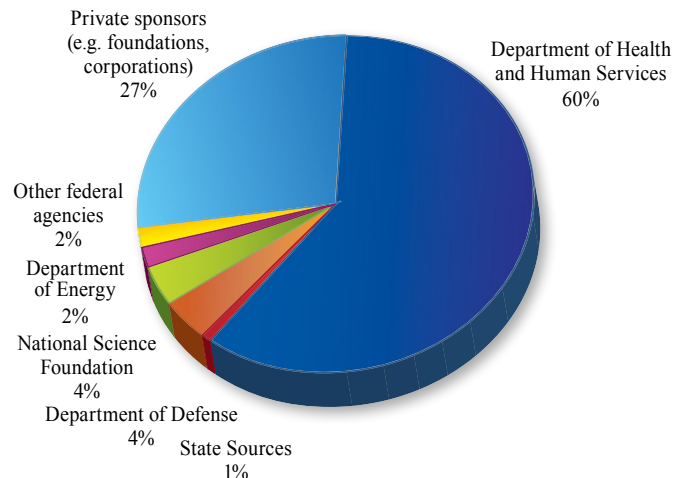
The graph above reflects a rolling ten-year average of investment returns compared to the LTP’s ten-year policy return objective of a real rate of return of 5%.

Sponsored Programs¹

The University conducts research in a collaborative interdisciplinary environment among its schools. The School of Medicine is one of the largest biomedical research enterprises in the country with programs focused on the causes, prevention, and treatment of human disease. Campus-based schools under the Provost continue to increase their research activity, primarily within Arts and Sciences, the Pratt School of Engineering, the Sanford School of Public Policy, and the Nicholas School of the Environment.

The United States government, at 73%, is the largest source of grant and contract funding for the University, with 60% of this support from the Department of Health and Human Services, Duke’s cognizant agency.

Total Grants, Contracts and Similar Agreements (\$1.5 billion)



¹ Revenue provided by the Federal government to DUHS is covered in the DUHS Operating Performance section of this Discussion.

Fiscal 2025 government sourced revenue was \$1.1 billion, a less than 1% increase compared to fiscal 2024. Growth in government sourced revenue was well below fiscal 2024 levels and reflects the impact of changes in federal research funding priorities which were implemented in spring 2025.

In addition to government sourced grants and contracts, Duke also received \$401 million of research support from private sources in fiscal 2025, a decline of \$9 million, or 2%, compared to fiscal 2024. This decline was primarily within the Duke Clinical Research Institute (DCRI).

Philanthropy

Contributions revenue reported within the consolidated financial statements is calculated based on generally accepted accounting principles (GAAP). This differs from philanthropic support reported by Duke according to the guidelines established by the Council for Advancement and Support of Education (CASE). CASE guidelines represent the philanthropy reporting standard for colleges and universities, and are based on cash collections.

Fundraising is an essential part of Duke’s revenue portfolio. In total, Duke received \$605 million in philanthropic contributions in fiscal 2025. This level of support includes Annual Fund giving from more than 44,000 alumni, parents, and friends of Duke.

On a GAAP basis, including pledges, Duke recorded \$488 million in contributions revenue in fiscal 2025, compared to \$462 million in fiscal 2024.

A reconciliation of the CASE and GAAP totals is provided below (in millions):

Cash gifts per CASE (cash basis)	\$ 605
Amounts included in grants and similar agreements (gifts per CASE)	(123)
Grants and gifts from The Duke Endowment (gifts per CASE)	(13)
Net fiscal 2025 change in pledges ¹	19
Total consolidated contributions per GAAP statements	\$ 488

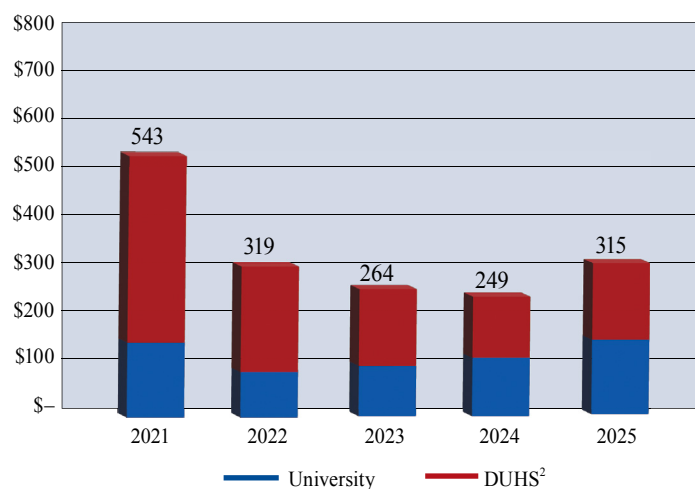
Additional information on GAAP reporting of contributions revenue and contributions receivable is provided in Notes 2 and 6 of the consolidated financial statements, respectively.

For details on Duke’s goals and initiatives, and ways to give to Duke, visit <http://giving.duke.edu>.

Capital Spending and Debt

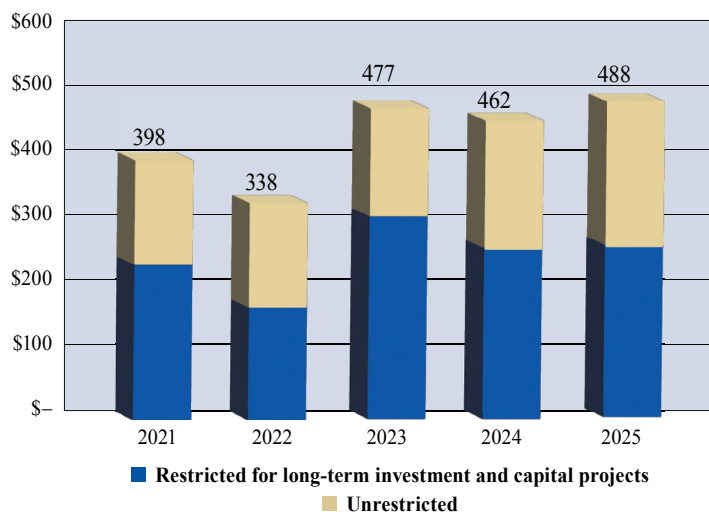
Over the last five years, the University and DUHS have made significant investments in land, buildings, and equipment, with a combined total capital spend of approximately \$1.7 billion.

Capital Spending (\$ in millions)



Capital spending by the University in fiscal 2025 totaled \$156 million, a 28% increase from fiscal 2024, still well below pre-pandemic levels.

Contributions (GAAP-basis, \$ in millions)



¹ Includes changes to previously reported multi-year pledges, pledges receivable due to new multi-year commitments, and other fiscal 2025 adjustments.

² DUHS capital spend amounts shown as reported in the separately issued DUHS consolidated financial statements.

For the University, noteworthy capital projects included in the \$156 million of capital spend were:

- Renovations to the Lilly Library.
- Renovations to the SOM’s Duke Research and Discovery@RTP facility.
- The Garden Gateway project at the Sarah P. Duke Gardens.

Capital spending by DUHS in fiscal 2025 totaled \$159 million. Capital spending was curtailed in previous years to preserve liquidity, but capital spending in fiscal 2025 included several projects focused on growth.

For DUHS, noteworthy capital projects in fiscal 2025 included:

- Construction of new and expansion of existing ambulatory facilities in Cary, North Carolina.
- Renovation of a bed tower at Duke University Hospital.
- Investments in infrastructure and equipment replacement across the DUHS system.

The combined capital plans for the University and DUHS over the next five (5) years call for \$3.0 billion of capital spend, including hospital expansion and modernization projects, network expansion, campus renewal projects, as well as significant investments in the University academic and research facilities improvements.

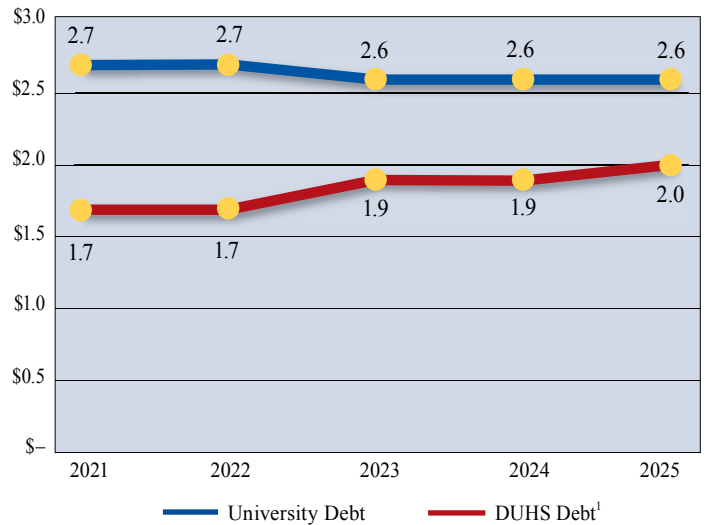
Both the University and DUHS have issued various forms of debt as a primary source of capital project funding. Formal comprehensive debt policies provide guidelines for the use of long-term financing, commercial paper, and derivative transactions (in the form of interest rate and other swaps) in order to optimize the debt portfolios. Effective and responsible debt portfolio management enables the University and DUHS to execute their strategic plans for facilities while preserving working capital. The University and DUHS hold ratings of Aa1 and Aa3 with Moody’s and AA+ and AA– with Standard & Poor’s, respectively.

There have been no new bond issuances for the University since fiscal 2020, when it completed a \$1.3 billion bond issuance, the proceeds of which were used to refund debt outstanding for savings and to provide \$559 million for capital needs, most of which were a reimbursement to the University for prior capital expenditures that were funded from working capital. The University debt portfolio is almost entirely at fixed rates, with less than 1% variable rate.

During fiscal 2025, DUHS increased its taxable commercial paper program from \$500,000 to \$800,000 and as of June 30, 2025 and 2024 had \$250 million and \$150 million outstanding, respectively.

On June 25, 2025, DUHS issued \$489 million of tax-exempt bonds maturing in 2042 and 2055. Proceeds from the issuance were used to refund existing variable rate tax-exempt debt and to provide financing for additional healthcare facilities.

Outstanding Debt (\$ in billions)



¹ Includes a finance lease for Duke Regional Hospital which has a balance of \$132 million at June 30, 2025.

Statistical Highlights

(dollars in thousands)	2025	2024	2023	2022	2021
Students:					
Undergraduate	7,109	7,034	7,018	6,951	6,608
Graduate and professional	10,883	10,509	10,991	10,479	9,185
Total fall enrollment	17,992	17,543	18,009	17,430	15,793
Degrees conferred:					
Baccalaureate	2,257	2,056	2,200	2,083	1,842
Masters	3,549	3,585	3,715	3,065	2,964
Doctorate	1,012	1,093	1,010	926	950
Total degrees conferred	6,818	6,734	6,925	6,074	5,756
Research:					
Grants, contracts and similar agreements:					
Federal government sources	\$ 1,030,325	\$ 1,030,252	\$ 975,326	\$ 987,635	\$ 850,260
Other government sources	81,462	77,519	69,843	58,100	66,553
Other	400,588	409,872	399,849	386,069	368,052
Total grants, contracts and similar agreements	\$ 1,512,375	\$ 1,517,643	\$ 1,445,018	\$ 1,431,804	\$ 1,284,865
Patient Care:					
Discharges	75,906	72,603	67,398	65,785	66,988
Patient days	517,634	501,001	485,833	474,477	454,238
Surgical and endoscopy cases	119,044	113,263	108,097	103,399	101,922
Outpatient visits ¹	5,157,999	4,850,217	2,803,215	2,711,672	2,684,314
Emergency room visits	195,671	184,038	170,567	160,922	155,819
Endowment:					
Market value of endowment	\$ 12,318,455	\$ 11,889,994	\$ 11,602,230	\$ 12,116,260	\$ 12,692,472
Financial aid spending rate	5.2%	5.3%	4.3%	4.0%	5.5%
Non-financial aid spending rate	4.8%	4.9%	3.9%	2.9%	4.2%
LTP rate of return ²	9.0%	8.0%	(1.0%)	(1.5%)	55.9%
Faculty and Staff:					
Tenured and tenure track	1,659	1,639	1,632	1,647	1,675
Non-tenure track	2,571	2,482	2,395	2,336	2,268
Total regular rank faculty	4,230	4,121	4,027	3,983	3,943
University staff	27,870	27,413	26,949	25,873	26,311
DUHS staff	31,964	30,470	27,708	27,288	25,494
Total employees	64,064	62,004	58,684	57,144	55,748

¹ Fiscal 2025 and 2024 includes 2,329,772 and 2,231,755 visits at DHIP, respectively.

² Net of external management fees but before internal costs.



KPMG LLP
4242 Six Forks Road
Suite 850
Raleigh, NC 27609

Independent Auditors' Report

The Board of Trustees
Duke University:

Opinion

We have audited the consolidated financial statements of Duke University (the University), which comprise the consolidated balance sheets as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2025 and 2024, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises management's Discussion of Financial Results of the consolidated financial statements but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information included in schedules 1 through 3 is presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

KPMG LLP

Raleigh, North Carolina
September 30, 2025



Few Tower

Consolidated Balance Sheets

JUNE 30, 2025 AND 2024
(DOLLARS IN THOUSANDS)

	2025	2024
Assets:		
Cash and cash equivalents	\$ 297,991	\$ 275,861
Operating investments	2,403,666	1,847,109
Cash, cash equivalents, and operating investments	2,701,657	2,122,970
Accounts receivable, net	1,526,127	1,477,796
Prepaid expenses, inventories, and other assets	1,167,004	697,081
Contributions receivable, net	415,238	403,646
Investments	19,430,443	18,838,743
Land, buildings, and equipment, net	4,735,803	4,689,590
Operating lease right-of-use assets	973,118	1,043,209
Interests in perpetual trusts held by others	1,199,420	1,163,261
Total assets	\$ 32,148,810	\$ 30,436,296
Liabilities:		
Accounts payable and accrued payroll	\$ 1,244,074	\$ 1,079,160
Deferred revenues and deposits	207,950	247,177
Notes and bonds payable	4,713,647	4,490,293
Operating lease liabilities	1,060,783	1,125,157
Annuity and other split-interest obligations	69,050	70,948
Accrued postretirement/postemployment and other benefit obligations	544,272	531,336
Other liabilities	301,853	274,722
Total liabilities	8,141,629	7,818,793
Net Assets:		
Without donor restrictions	14,332,106	13,381,883
With donor restrictions	9,675,075	9,235,620
Total net assets	24,007,181	22,617,503
Total liabilities and net assets	\$ 32,148,810	\$ 30,436,296

See accompanying notes to consolidated financial statements.

Consolidated Statements of Activities

YEARS ENDED JUNE 30, 2025 AND 2024
(DOLLARS IN THOUSANDS)

	2025	2024
Net assets without donor restrictions:		
Operating revenues:		
Tuition and fees	\$ 625,865	\$ 610,484
Grants, contracts and similar agreements:		
Government sources	1,111,787	1,107,771
Other	400,588	409,872
Total grants, contracts and similar agreements	1,512,375	1,517,643
Support from clinical operations:		
Patient services revenue	7,086,229	6,630,994
The Private Diagnostics Clinic, PLLC	—	7,277
Total support from clinical operations	7,086,229	6,638,271
Contributions	219,632	196,579
Investment return designated for current operations:		
The Duke Endowment	12,500	12,500
Endowment spending	595,055	553,652
Other investment income	250,162	251,352
Total investment return designated for operations	857,717	817,504
Auxiliary enterprises	330,570	313,959
Other	372,356	334,747
Net assets released from restrictions	74,113	74,309
Total operating revenues	11,078,857	10,503,496
Operating expenses:		
Salaries and wages	5,041,664	4,762,823
Employee benefits	1,189,048	1,182,561
Student aid	61,432	58,398
Other operating expenses	4,027,875	3,678,984
Interest expense	161,512	163,804
Depreciation and amortization	471,677	470,471
Total operating expenses	10,953,208	10,317,041
Operating surplus	125,649	186,455

Consolidated Statements of Activities (continued)

	2025	2024
Nonoperating activities:		
Contributions	\$ 4,296	\$ 1,880
Net assets released from restrictions	22,983	14,083
Investment return in excess of amounts designated for current operations, net	623,956	576,609
Other pension and postretirement benefit changes	181,247	239,815
Other, net	<u>(7,908)</u>	<u>6,779</u>
Change in net assets without donor restrictions from nonoperating activities	<u>824,574</u>	<u>839,166</u>
Change in net assets without donor restrictions	950,223	1,025,621
Net assets with donor restrictions:		
Contributions	264,571	263,186
Net assets released from restrictions	(97,096)	(88,392)
Investment return in excess amounts designated for current operations, net	221,405	148,816
Gains on interests in perpetual trusts held by others	36,159	26,685
Other, net	<u>14,416</u>	<u>973</u>
Change in net assets with donor restrictions	439,455	351,268
Change in total net assets	<u>1,389,678</u>	<u>1,376,889</u>
Net assets at beginning of year	<u>22,617,503</u>	<u>21,240,614</u>
Net assets at end of year	<u>\$ 24,007,181</u>	<u>\$ 22,617,503</u>
Certain amounts disaggregated above are presented below in the aggregate:		
Contributions	\$ 488,499	\$ 461,645
Investment return (operating and nonoperating)	1,703,078	1,542,929

See accompanying notes to consolidated financial statements.

Consolidated Statements of Cash Flows

YEARS ENDED JUNE 30, 2025 AND 2024
(DOLLARS IN THOUSANDS)

	2025	2024
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 1,389,678	\$ 1,376,889
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	471,677	470,471
Amortization of debt issuance costs, premium and discount	(152)	(2,703)
Nonperiodic changes in defined benefit plans	(78,663)	(159,590)
Change in fair value of swap instruments	1,063	(5,307)
Loss on disposals of land, buildings, and equipment	3,092	800
Restricted contributions received for long-term investment and capital projects	(253,393)	(238,177)
Investment (return) loss with donor restrictions	(853)	4,648
Net realized and unrealized gains on investments	(1,219,332)	(1,087,680)
Gains on interests in perpetual trusts held by others	(36,159)	(26,685)
Change in:		
Accounts receivable	(48,990)	(392,467)
Prepaid expenses, inventories, and other assets	(71,010)	(65,836)
Contributions receivable, net	(12,034)	(28,361)
Operating lease right-of-use assets	79,746	81,953
Accounts payable and accrued payroll	119,202	86,138
Deferred revenues and deposits	(39,227)	(12,202)
Annuity and other split-interest obligations	(1,898)	(2,878)
Accrued postretirement/postemployment and other benefit obligations	47,197	42,478
Operating lease liabilities	(73,901)	(76,419)
Other liabilities	26,068	20,091
Net cash provided by (used in) operating activities	302,111	(14,837)

Consolidated Statements of Cash Flows (continued)

	2025	2024
<i>Cash flows from investing activities:</i>		
Purchases of investments	\$ (26,238,376)	\$ (16,929,102)
Proceeds from sales and maturities of investments	26,309,451	17,255,386
Purchases of land, buildings, and equipment	(374,935)	(365,576)
Proceeds from disposals of land, buildings, and equipment	–	1,810
Disbursements for loans to students	(2,271)	(1,622)
Repayments of loans by students	2,894	3,518
Change in deposits with bond trustees	(164,966)	1,496
Acquisition of healthcare organizations	(284,324)	(52,641)
Net cash used in investing activities	(752,527)	(86,731)
<i>Cash flows from financing activities:</i>		
Restricted contributions received for long-term investment and capital projects	253,393	238,177
Investment return (loss) with donor restrictions	853	(4,648)
Payments on commercial paper	(1,079,695)	(968,552)
Payments on borrowings	(531,981)	(38,423)
Proceeds from issuance of commercial paper	1,175,844	838,953
Proceeds from borrowings, including premiums	669,648	150,000
Proceeds from finance leases	400	1,168
Payments on finance leases	(15,916)	(19,841)
Net cash provided by financing activities	472,546	196,834
Net change in cash and cash equivalents	22,130	95,266
Cash and cash equivalents at beginning of year	275,861	180,595
Cash and cash equivalents at end of year	\$ 297,991	\$ 275,861
Supplemental disclosure of cash flow information:		
Change in accounts payable for land, buildings, and equipment	\$ (45,526)	\$ (23,943)
Cash paid for interest (net of amounts capitalized)	158,527	164,142

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(DOLLARS IN THOUSANDS)

1. Overview of Duke University

Duke University, a North Carolina nonprofit corporation, is a private, coeducational institution located primarily in Durham, North Carolina, which owns and operates educational and research facilities (the University). Duke University Health System, Inc. (DUHS), a North Carolina nonprofit corporation, is a wholly-controlled affiliate of the University. Collectively, the University and DUHS are referred to herein as “Duke.” The University is governed by a Board of Trustees (the Board) with thirty-seven members, consisting of the President of the University and thirty-six members from the private, public, and community sectors.

The University’s programs include undergraduate and graduate programs in Arts and Sciences, Engineering, Nursing, and Public Policy, and professional schools in Business, Divinity, Environment, Law, Medicine, and Nursing, as well as programs in Allied Health.

DUHS operates a health care system consisting principally of:

- **Duke University Hospital –**

University campus - the main location of Duke University Hospital – a quaternary care teaching hospital located on the campus of Duke in Durham, North Carolina, licensed for 1,062 acute and specialty care beds, providing patient care and serving as a site for medical education and clinical research provided by the Duke University School of Medicine (School of Medicine).

Duke Raleigh Hospital campus (Duke Raleigh) – a remote location of Duke University Hospital located in Raleigh, North Carolina, licensed for 204 acute care beds and providing patient care. As of June 1, 2024, DUHS combined two hospitals, Duke University Hospital and Duke Raleigh, to operate as a single multi-campus hospital with Duke University Hospital as the main provider and Duke Raleigh as a remote location of Duke University Hospital.

- **Duke Regional Hospital** – a full-service community hospital located in Durham, North Carolina, licensed for 381 acute and specialty care beds. Duke Regional Hospital is owned by Durham

County, North Carolina and leased to the Durham County Hospital Corporation, which has in turn subleased Duke Regional Hospital to DUHS.

- **Duke Health Lake Norman Hospital** – a full-service community hospital located in Mooresville, North Carolina licensed for 123 acute and specialty care beds. On April 1, 2025, DUHS acquired Lake Norman Regional Medical Center from a subsidiary of Community Health Systems, Inc., renaming it to Duke Health Lake Norman Hospital.
- **Duke University Affiliated Physicians, Inc.** – a North Carolina wholly-controlled nonprofit corporation, doing business predominately as Duke Primary Care. Duke Primary Care consists of thirty-three (33) primary care physician practices located in Alamance, Chatham, Durham, Franklin, Granville, Orange, Vance, and Wake Counties, nine (9) urgent care centers located in Durham, Orange, and Wake Counties, and five (5) pediatric practices in Durham, Orange, and Wake Counties. Four (4) diabetes education and nutrition, and twenty-three (23) behavioral health practices are co-located within primary care sites of Duke Primary Care.
- **Duke Health Integrated Practice, Inc. (DHIP)** – a North Carolina wholly-controlled nonprofit corporation formed to provide physician clinical care to patients. DHIP employs faculty members in the School of Medicine, community-based primary care and specialist physicians, and advanced practice providers, practicing primarily in DUHS facilities and clinics throughout North Carolina.
- **Durham Casualty Company, Ltd. (DCC)** – a wholly owned subsidiary of DUHS, domiciled in Bermuda, insuring a portion of the medical malpractice risks and patient general liability, privacy/cyber liability, and international liability risks of DUHS clinical providers.

The consolidated financial statements include the University, DUHS and all other operating entities over which Duke has control.

2. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements of Duke have been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP) and with the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*.

Based on the existence or absence of donor-imposed restrictions, Duke classifies resources into two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are free of donor-imposed restrictions. All revenues, gains, and losses that are not restricted by donors are included in this classification. All expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions are subject to donor-imposed restrictions that will be met either by actions of Duke or the passage of time. These net assets include donor restricted endowments, unconditional pledges, split-interest agreements, and interests in perpetual trusts held by others. Generally, the donors’ imposed restrictions on these assets permit Duke to use all or part of the income earned on related investments only for certain general or specific purposes.

Expirations of donor restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities. Contributions, including unconditional promises to give, are recognized as revenue in the period

received. Contributions for acquisition or construction of plant facilities are released from restrictions in the period in which the assets are placed in service within the nonoperating section on the statements of activities. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in net assets without donor restrictions.

Operating results (change in net assets without donor restrictions from operating activity) in the consolidated statements of activities reflect all transactions that change net assets without donor restrictions, except for contributions for plant facilities (released), unrestricted contributions designated by the University, investment return in excess of or less than amounts designated for current operations, other pension and postretirement benefit plan changes, changes in the fair value of debt-related derivative instruments, investment related excise taxes, losses on the extinguishment of debt, and certain other nonrecurring items.

Fair Value Measurements

Fair value measurements reflected in the consolidated financial statements represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GAAP provides a hierarchy that prioritizes the inputs to fair value measurements based on the extent to which inputs to valuation techniques are observable in the marketplace. The hierarchy assigns a higher priority to observable inputs that reflect verifiable information obtained from independent sources, and a lower priority to unobservable inputs that would reflect Duke's assumptions about how market participants would value an asset or liability based on the best information available. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs.

The three levels of the hierarchy of inputs used to measure fair value are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities that are available at the measurement date.

Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly at the measurement date.

Level 3 – Unobservable inputs for the asset or liability, used in situations in which little or no market activity exists for the asset or liability at the measurement date.

The categorization of fair value measurements by level of the hierarchy is based upon the lowest level input that is significant to the overall fair value measurement for a given asset or liability.

In the event that changes in the inputs used in the fair value measurement of an asset or liability result in a transfer of the fair value measurement to a different categorization (e.g., from Level 3 to Level 2), such transfers between fair value categories are recognized at the end of the reporting period.

Cash, Cash Equivalents and Operating Investments

Cash, Cash equivalents and operating investments include assets invested in the Short Term Account (STA), all of which can be liquidated within thirty (30) days. Duke utilizes the STA to fund daily cash needs, and such assets, reported at fair value, primarily consist of short-term U.S. Treasury securities, other short-term, highly-liquid

investments, and certain fixed income securities. Cash and cash equivalents that are managed as part of Duke's investments, including collateral held, are reported within investments on the consolidated balance sheets and excluded from cash in the consolidated statements of cash flows, as these funds are not used for operating needs.

Prepaid Expenses, Inventories, and Other Assets

Prepaid expenses, inventories, and other assets primarily represent restricted bond proceeds invested with trustees to be used for construction, goodwill related to the acquisition of healthcare organizations, pension benefit assets, and inventories of DUHS, which are valued at the lower of average cost or net realizable value. Deposits with bond trustees are excluded from cash in the consolidated statements of cash flows as these funds are not used for operating needs.

Contributions Receivable

Pledges that represent unconditional promises to give are recognized at fair value as contributions with donor restrictions in the period such promises are made by donors. Contributions are discounted at a risk-adjusted rate commensurate with the duration of the donor's payment plan. Amortization of the discounts is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon the administration's expectations regarding collection of outstanding promises to give and past collection experience.

The methodology for calculating the allowance for uncollectible contributions is based on the administration's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as other factors including current economic conditions.

In contrast to unconditional promises as described above, conditional promises are not recorded until donor conditions are met.

Investments

DUMAC, Inc. (DUMAC), a North Carolina nonprofit support corporation organized and controlled by the University, is responsible for managing investment assets for Duke, The Duke Endowment (see Note 14) and the Employees' Retirement Plan of Duke University (the ERP).

Valuation – Investments are recorded at estimated fair value. For investments made directly by Duke whose values are based on quoted market prices in active markets, the market price of the investment is used to report fair value. For shares in mutual funds, fair values are based on share prices reported by the funds as of the last business day of the fiscal year. Duke's interests in alternative investment funds such as fixed income, equities, hedged strategies, private capital, and real assets are generally reported at the net asset value (NAV) reported by the fund managers. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Duke has concluded, as a practical expedient, that the NAV approximates fair value.

Risks – Duke's investments are exposed to several risks, including liquidity, currency, interest rate, credit, and market risks.

Duke attempts to manage these risks through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions. Due to the level of risk associated with certain

investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in Duke's consolidated financial statements.

Derivatives are used by Duke and external investment managers to manage market risks. The most common derivative strategies engaged in are total return swaps, credit default swaps, futures and forward contracts, and options. These derivative instruments are recorded at their respective fair values (see Note 13).

Investment Pools – Duke utilizes investment pools known as the University's Long Term Pool (LTP) and the Health System Pool (HSP) to make University and DUHS investments in diversified portfolios of debt, equity, and other investments. The HSP is structured to provide more liquidity for DUHS than is available within the LTP. Both the LTP and HSP are included in investments on the consolidated balance sheets.

Reporting – Income and realized gains (losses) on investments of working capital are reported as investment return included in operating revenues. Any excess (deficit) of income and realized and unrealized gains (losses) earned on investments above (below) the spending rate (see Note 9), including split-interest agreements, are reported as nonoperating revenues. Investment management fees are netted against investment returns.

Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost at the date of acquisition or fair value at the date of donation. Property and equipment under finance leases are initially valued and recorded based on the present value of minimum lease payments. Useful lives range from 5 to 25 years for land improvements, 10 to 80 years for buildings and utilities, 5 to 10 years for computer software, 3 to 20 years for equipment, motor vehicles, furniture and vessels, and 1 year for library acquisitions. Depreciation is calculated on a straight-line basis over the assets' estimated useful lives, except for leasehold improvements and property and equipment held under finance leases, which are amortized over the shorter of the expected useful life of the asset or term of the related lease. Depreciation is not recorded on purchases of land, art collections, rare books, and construction in progress.

Conditional asset retirement obligations related to legal requirements to perform certain future activities associated with the retirement, disposal, or abandonment of assets are accrued utilizing site specific surveys to estimate the net present value for applicable future costs (e.g., asbestos abatement or removal). Duke reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impairment charge is recognized when the fair value of the asset or group of assets is less than the carrying value.

Lease right-of-use assets

Operating leases as a lessee are included in operating lease right-of-use assets and operating lease liabilities on the consolidated balance sheets. The assets and liabilities associated with finance leases as a lessee are included in land, buildings, and equipment, net, and notes and bonds payable, respectively, on the consolidated balance sheets.

Right-of-use assets represent Duke's right to use an underlying

asset for the lease term. Lease obligations represent Duke's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The commencement date is when Duke either takes possession of the asset, or in the case of real estate leases, when the landlord makes the building available for use. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Interests in Perpetual Trusts Held by Others and Split-Interest Agreements

Duke is the beneficiary of certain perpetual trusts held and administered by outside trustees, including The Duke Endowment (see Note 14). These trust interests are reported at fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. As such, these assets fall within Level 3 of the hierarchy of fair value inputs. Distributions from these trusts are recorded as investment return designated for current operations.

Duke's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts for which Duke serves as trustee. Assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors or other beneficiaries. Annuity and other split-interest liabilities are recorded at their present value.

Refundable Federal Student Loans

The United States Government (U.S. Government) provides revolving loans under the Federal Perkins and Nursing, and Health Professions Student Loan programs which are ultimately refundable to the U.S. Government. The Federal Perkins Loan Program has expired and no new disbursements are permitted. The related outstanding loan balances of \$9,340 and \$10,526 at June 30, 2025 and 2024, respectively, are included in other liabilities on the consolidated balance sheets.

Charity Care

DUHS provides services at no charge or at substantially discounted rates to patients who are approved under the guidelines of its financial assistance policy. DUHS does not pursue collection of amounts determined to qualify as charity care. Services qualifying for charity care consideration include emergent and medically necessary services as determined by a DUHS physician. Patient household income in relation to the federal poverty guidelines is included in the determination for charity care qualification. While charity care is excluded from patient service revenue and receivables, DUHS maintains records to identify and monitor the level of charity care it provides. These records include the amount of charges foregone and estimated costs incurred for services and supplies furnished under its financial assistance policy and other equivalent service statistics. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges.

Income Taxes

Duke is tax-exempt as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended (the Code). As such, Duke is exempt from federal income taxes to the extent provided under Section 501 of the Code. As of June 30, 2025 and 2024, there were no material uncertain tax positions.

Acquisitions

(a) Lake Norman Regional Medical Center

On April 1, 2025, DUHS acquired certain assets and assumed certain liabilities of Lake Norman Regional Medical Center from a subsidiary of Community Health Systems, Inc. The hospital was renamed Duke Health Lake Norman Hospital (DHLN). DHLN 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 DHIP on April 1, 2025. This acquisition establishes a local presence in the Charlotte, North Carolina metro area that allows DUHS to extend its clinical expertise to more patients within their home community.

Consideration paid for the assets and liabilities acquired was \$284,832, and was financed using proceeds from a combination of DUHS's taxable commercial paper program and funds available under an existing line of credit. DUHS recognized \$95,315 of property and equipment, as well as \$135,896 of goodwill. The goodwill arising from the acquisition represents the value of expected synergies, the workforce and other tangible benefits that do not qualify for separate recognition.

This acquisition was accounted for using the acquisition method of accounting. The total purchase price was allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date except for lease right-of-use assets that were valued at the net present value of future lease payments.

(b) Physician Organization

On July 1, 2023, DUHS acquired certain assets and assumed certain liabilities of the Private Diagnostic Clinic (PDC). As a result of the

transaction, most of the physicians and other employees of the PDC became employees of DHIP as of July 1, 2023. This expansion allowed DUHS to become a fully integrated, nonprofit, and mission-centric health care system, providing coordinated, and high quality clinical care to its patients.

Consideration paid for the assets and liabilities acquired was \$52,641. The transaction was accounted for using the acquisition method of accounting, with the total purchase price allocated to the assets acquired and liabilities assumed based on their estimated fair values as of the acquisition date with the exception of lease right-of-use assets which were valued at the net present value of future lease payments. As of July 1, 2023, in conjunction with the acquisition, Duke recognized right-of-use assets and assumed liabilities of \$204,223 and \$202,541, respectively related to operating leases.

Use of Estimates

The preparation of the consolidated financial statements in accordance with GAAP requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses during the reporting period, as well as the disclosure of contingent assets and liabilities. Actual results ultimately could differ from the administration's estimates.

Subsequent Events

On July 28, 2025, Duke received a letter from the Secretaries of the U.S. Department of Health and Human Services and the Department of Education in regard to certain allegations of unlawful use of racial preferences at Duke Health, as defined therein. Duke is responding to the inquiry and continues to evaluate the potential impact, if any, on its financial position.

On September 9, 2025, DUHS issued \$50,000 through its taxable commercial paper program.

Duke has evaluated subsequent events from the balance sheet date through September 30, 2025, the date on which the consolidated financial statements were issued. No additional material subsequent events were identified for recognition or disclosure.

3. Revenue Recognition

Duke's significant revenue recognition policies are:

Tuition and fees – Student tuition and fees are earned and recognized as revenue during the year that the related academic services are rendered. Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. Student aid provided by Duke for tuition and fees is reflected as a reduction of tuition and fees revenue at published rates, and does not include payments made to students for services rendered to Duke.

The following table provides the components of tuition and fees for fiscal 2025 and 2024:

	2025	2024
Tuition and fees, at published rates	\$1,082,711	\$1,022,153
Less student aid	<u>(456,846)</u>	<u>(411,669)</u>
Tuition and fees	<u>\$ 625,865</u>	<u>\$ 610,484</u>

As of June 30, 2025 and 2024, Duke had \$57,598 and \$55,049, respectively, of deferred tuition and fees that will be recognized in the subsequent fiscal year when the programs occur.

Grants and contracts – In accordance with ASU 2018-08, *Not-for-Profit Entities (Topic 958): Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, grants and contracts awarded by federal and other sponsors, including facilities and administrative (F&A) cost recovery, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. Duke has elected the simultaneous release policy available under ASU 2018-08, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. F&A cost recovery represents reimbursement,

primarily from the federal government, of F&A costs on sponsored activities. Duke’s federal F&A cost recovery rate for research was 61.5% and 61.0% in fiscal 2025 and 2024, respectively.

In accordance with ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*, revenue from exchange grants and contracts is recognized as Duke substantially meets the performance obligations contained in the agreement with the customer.

Duke recognized grants and contracts revenues as follows for the years ended June 30:

	2025	2024
Provided by:		
Federal government sources	\$ 1,030,325	\$1,030,252
Other government sources	81,462	77,519
Other	<u>400,588</u>	<u>409,872</u>
Total grants, contracts and similar agreements	<u>\$ 1,512,375</u>	<u>\$ 1,517,643</u>

Revenue and support from federal agencies, including the National Institutes of Health and the National Science Foundation, collectively represent approximately 10% of total operating revenues for the years ended June 30, 2025 and 2024.

As of June 30, 2025 and 2024, Duke had unexpended grant awards of \$118,223 and \$154,028, respectively, for which revenue will be recognized when the conditions on the awards are met or the performance obligations have been met. In fiscal 2025, Duke recognized \$123,909 of revenue from grants that was previously deferred. Conditional awards from federal and other sponsors outstanding as of June 30, 2025 and 2024 were \$727,951 and \$869,843, respectively.

Patient service revenue – Patient service revenue relates to contracts with patients in which the performance obligations are to provide health care services to patients. DUHS recognizes revenues over time as services (inputs) are provided to patients in the period in which services are rendered. DUHS deems using this input method to be a faithful depiction of the transfer of services to the patient over the performance obligation period.

The contractual relationships with patients usually involve a third-party payor, and transaction prices for the services provided are dependent upon the terms provided by or negotiated with third-party

payors. DUHS has agreements with third-party payors that provide for payments to DUHS at amounts that are generally less than its established rates. DUHS determines the transaction price based on its established charges for goods and services less explicit and implicit price concessions. Explicit price concessions are contractual adjustments provided to third-party payors and published policy discounts applied to uninsured patients. Implicit price concessions represent differences between amounts billed and the estimated consideration DUHS expects to receive from patients, which are primarily based on historical collection experience. DUHS generally bills third-party payors and patients within five days of services being rendered and/or patients are discharged from the hospital. Accordingly, patient service revenue is reported at the estimated net realizable amounts to be received from patients, third-party payors, and others, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Adjustments are accrued on an estimated basis in the period the related services are rendered and retroactively adjusted in future periods as changes to estimates become known and tentative and final settlement adjustments are identified. For the years ended June 30, 2025 and 2024, adjustments increased patient service revenue by \$33,290 and \$299,545, respectively.

Auxiliary enterprises – Auxiliary enterprises include athletics, residence halls, dining services, parking, and retail stores, which furnish goods and services to students, faculty, staff, and in some cases, the general public. Revenues from athletics ticket sales, media rights, licensing and other contracts are received and recognized when the goods and services are rendered, and typically occur in the same fiscal year. Charges to students for campus residence, dining and other student services are substantially billed and recognized prior to the end of each semester. Any prepayments for services are reported as deferred revenue until such time as the revenue has been earned.

Other revenue – Other revenue primarily includes design and delivery revenue related to executive education programs, billing and collection services provided to affiliated organizations, and royalty revenue from the licensing of intellectual property. Revenues from design services are recognized over the time of the project, and program delivery revenue is recognized at a point in time when the course delivery occurs. Royalty revenue is recognized when estimable, typically when received. Billing and collection fees are recognized based on actual price/expense incurred.

4. Liquidity and Availability

Financial assets available for general expenditure within one year of June 30 are as follows:

	2025	2024
Total assets	\$ 32,148,810	\$ 30,436,296
Less:		
Endowment funds – including perpetual trusts	12,318,455	11,889,994
Annuities, trusts and other illiquid investments	6,969,115	6,764,975
Land, buildings and equipment, net	4,735,803	4,689,590
Operating lease right-of-use assets	973,118	1,043,209
Contributions receivable and other assets	1,669,634	1,183,112
Financial assets available within one year	<u>\$ 5,482,685</u>	<u>\$ 4,865,416</u>

Duke manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition, Duke invests cash in excess of daily requirements in short-term investments or fixed income securities. To supplement working capital and investment commitments, Duke had line of credit agreements totaling \$420,000 and \$410,000 as of June 30, 2025 and 2024, respectively, with \$150,000 in outstanding borrowings under these agreements, as of June 30, 2025 and 2024. The line of credit agreements have varying expiration dates through 2026. As of June 30, 2025, Duke had tax-exempt and taxable commercial paper programs of \$300,000 and \$1,300,000, respectively, with the two commercial paper programs subject to an aggregate cap of \$1,300,000 on the total outstanding under the two programs collectively. As of June 30, 2024, Duke had

tax-exempt and taxable commercial paper programs of \$300,000 and \$1,000,000, respectively, with the two commercial paper programs subject to an aggregate cap of \$1,000,000 on the total outstanding amount under the two commercial paper programs collectively. The aggregate outstanding amount under the two commercial paper programs collectively was \$250,000 and \$150,000 as of June 30, 2025 and 2024, respectively. Additionally, as of June 30, 2025 and 2024, Duke had Board-designated endowments and other investments of \$5,785,215 and \$5,623,435, respectively. Although Duke does not intend to spend from these investments, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, they could be made available if necessary, subject to liquidity of the underlying investments.

5. Accounts Receivable, net

Accounts receivable consists of the following at June 30:

	2025	2024
Patient	\$ 934,495	\$ 811,504
Sponsored programs	198,805	212,751
Student loans	13,602	13,428
Other	379,225	440,113
Accounts receivable, net	<u>\$ 1,526,127</u>	<u>\$ 1,477,796</u>

Concentration of Credit Risk

DUHS grants credit without collateral to its patients, most of whom are insured under third-party payor agreements including private insurance as well as Medicare and Medicaid managed care agreements. The related gross accounts receivables from patients and third-party payors consisted of the following as of June 30, 2025 and 2024: commercial third-party payors 74% and 72%, respectively; US government sources 19% and 21%, respectively; and other payors 7% and 7%, respectively.

6. Contributions Receivable, net

Contributions receivable are summarized as follows at June 30:

	2025	2024
Unconditional promises expected to be collected in:		
Less than one year	\$ 146,595	\$ 145,834
Between one year and five years	312,747	302,909
More than five years	21,741	19,166
Gross contributions receivable	481,083	467,909
Allowance for uncollectible amounts	(20,735)	(20,075)
Unamortized discount at rates ranging from 0.1% to 7.5%	(45,110)	(44,188)
Contributions receivable, net	<u>\$ 415,238</u>	<u>\$ 403,646</u>

At June 30, 2025 and 2024, the 10 largest outstanding donor pledge balances represented 56% and 57%, respectively, of Duke's gross contributions receivable, and include amounts receivable from related parties, including the Duke Endowment (see Note 14).

At June 30, 2025 and 2024, Duke had also received bequest intentions and conditional promises to give of \$431,716 and \$394,161, respectively. These intentions and conditional promises to give are not recognized as assets or revenues in the consolidated financial statements.

7. Investments

The composition of Duke's investments are as follows:

	2025	2024
Operating investments	\$ 2,403,666	\$ 1,847,109
LTP	13,899,652	13,500,666
HSP	4,383,574	4,256,681
Nonpooled	1,147,217	1,081,396
Total investments	\$ 21,834,109	\$ 20,685,852

The fair value of investments consists of the following at June 30:

	2025	2024
Short-term investments	\$ 1,120,439	\$ 1,591,721
Fixed income	4,864,835	4,004,231
Equities	2,309,006	2,742,445
Hedged strategies	4,031,595	3,271,573
Private capital	6,806,633	6,461,665
Real assets	2,209,114	2,142,842
Other	492,487	471,375
Total investments	\$ 21,834,109	\$ 20,685,852

At June 30, 2025 and 2024, \$68,137 and \$13,054, respectively, was posted as collateral for derivatives (see Note 13) and thus not readily available for use. Collateral held is included in short-term investments.

Duke's investment classes are described in further detail below. Classes include direct holdings, which are generally marketable securities, and interests in funds for which the related investment strategies are described.

Short-term investments includes cash collateral, money market funds, and other highly liquid debt securities with an aggregate duration of less than a year.

Fixed income includes U.S. Treasury and agency debt, as well as non-government domestic and international fixed income securities, funds holding similar securities, and debt-based derivatives.

Equities includes domestic and international stocks, equity-based derivatives and interests in funds that invest predominantly in long but also short stocks. Exposure by market is approximately: 35% domestic, 25% emerging international, 25% global, and 15% developed international.

Hedged strategies primarily includes interests in funds that invest both long and short in U.S. and non-U.S. stocks, credit-oriented securities, and arbitrage strategies. Approximately 80% of the hedged strategies portfolio is invested through equity oriented strategies with the balance split between multi-strategy and credit strategies funds and accounts. Virtually all of Duke's investments in these funds are redeemable, and the underlying assets of the funds are predominately marketable securities and derivatives.

Private capital primarily includes interests in funds or partnerships that hold illiquid investments in venture capital, buyouts, and credit. These funds typically have periods of 10 or more years during which committed capital may be drawn. Distributions are received through liquidation of the underlying assets of the funds, which are anticipated to occur over the next 4 to 10 years. Certain private placement securities may also be held.

Real assets includes interests in funds or partnerships that hold illiquid investments in residential and commercial real estate, oil and gas production, energy, other commodities, and related services businesses. These funds typically have periods of 10 or more years during which committed capital may be drawn. Distributions are received through liquidations of the underlying assets of the funds, which are anticipated to occur over the next 5 to 12 years. Additionally, certain liquid commodity- and real estate-related equities, private placement securities and related derivatives are included.

Other primarily includes other derivative instruments.

The following is a summary of the levels within the fair value hierarchy for Duke's investments at June 30:

Fair Value as of June 30, 2025	Level 1	Level 2	Level 3	Investments reported at NAV ¹	Total
Short-term investments	\$ 674,462	\$ 445,922	\$ –	\$ 55	\$ 1,120,439
Fixed income	77,072	4,420,317	150,982	216,464	4,864,835
Equities	1,514,023	212,851	4,050	578,082	2,309,006
Hedged strategies	3,971	(17,057)	–	4,044,681	4,031,595
Private capital	25,200	–	304,684	6,476,749	6,806,633
Real assets	219,420	27,023	31,333	1,931,338	2,209,114
Other	91,873	386,924	–	13,690	492,487
Total investments	\$ 2,606,021	\$ 5,475,980	\$ 491,049	\$ 13,261,059	\$ 21,834,109

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

Fair Value as of June 30, 2024	Level 1	Level 2	Level 3	Investments reported at NAV ¹	Total
Short-term investments	\$ 747,283	\$ 844,438	\$ –	\$ –	\$ 1,591,721
Fixed income	470,327	3,207,756	116,972	209,176	4,004,231
Equities	2,045,014	160,304	3,258	533,869	2,742,445
Hedged strategies	372	(1,413)	–	3,272,614	3,271,573
Private capital	11,578	–	349,777	6,100,310	6,461,665
Real assets	151,340	(10,261)	38,243	1,963,520	2,142,842
Other	131,927	329,540	–	9,908	471,375
Total investments	\$ 3,557,841	\$ 4,530,364	\$ 508,250	\$ 12,089,397	\$ 20,685,852

As of June 30, 2025 and 2024, redemption frequency and the corresponding notice period for all investments are as follows:

Asset Class	Redemption frequency (in days) (if currently eligible) ²	Redemption notice period (in days)
Short-term investments	daily	1
Fixed income	1 to 30	1 to 30
Equities	1 to 90	1 to 90
Hedged strategies	30 to >365	2 to 100
Private capital	N/A	N/A
Real assets	N/A	N/A
Other	N/A	N/A

The following tables present additional information about Level 3 investments. Both observable and unobservable inputs may be used to determine the fair value of positions that Duke has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

	Balance as of June 30, 2024	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in	Balance as of June 30, 2025
Fixed income	\$ 116,972	\$ 8,449	\$ 72,459	\$ (46,898)	\$ –	\$ 150,982
Equities	3,258	792	6,263	(6,263)	–	4,050
Private capital	349,777	(18,997)	27,573	(53,756)	87	304,684
Real assets	38,243	(5,196)	–	(1,714)	–	31,333
Total Level 3 investments	\$ 508,250	\$ (14,952)	\$ 106,295	\$ (108,631)	\$ 87	\$ 491,049

	Balance as of June 30, 2023	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers out	Balance as of June 30, 2024
Fixed income	\$ 61,730	\$ 5,691	\$ 86,827	\$ (37,276)	\$ –	\$ 116,972
Equities	4,178	(976)	56	–	–	3,258
Private capital	386,132	(43,712)	38,217	(30,860)	–	349,777
Real assets	38,476	5,337	1,092	(6,564)	(98)	38,243
Total Level 3 investments	\$ 490,516	\$ (33,660)	\$ 126,192	\$ (74,700)	\$ (98)	\$ 508,250

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated balance sheets.

² Based on current terms, it is possible that these redemption rights may be restricted or eliminated by the funds in the future in accordance with the underlying fund agreement.

8. Net Assets

The following is a summary of net assets at June 30, 2025:

	Without donor restrictions	With donor restrictions ¹	Total
DUHS operations	\$ 5,907,735	\$ –	\$ 5,907,735
University operations	4,641,992	–	4,641,992
Endowment funds	3,392,337	8,926,118	12,318,455
Investment in plant, net	390,042	–	390,042
Donor pledges and gifts	–	636,227	636,227
Annuity and other split-interest agreements	–	92,450	92,450
Student loan funds	–	20,280	20,280
Total net assets	\$ 14,332,106	\$ 9,675,075	\$ 24,007,181

The following is a summary of net assets at June 30, 2024:

	Without donor restrictions	With donor restrictions ¹	Total
DUHS operations	\$ 5,447,900	\$ –	\$ 5,447,900
University operations	4,097,097	–	4,097,097
Endowment funds	3,369,556	8,520,438	11,889,994
Investment in plant, net	467,330	–	467,330
Donor pledges and gifts	–	598,522	598,522
Annuity and other split-interest agreements	–	96,849	96,849
Student loan funds	–	19,811	19,811
Total net assets	\$ 13,381,883	\$ 9,235,620	\$ 22,617,503

9. Endowment

Duke's endowment consists of over 6,400 individual funds established for a variety of purposes including donor-restricted endowment funds, funds designated by the Board to function as endowments, as well as interests in perpetual trusts held by others. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board has decided to continue to require the preservation of the historic dollar value of endowment funds absent explicit donor stipulations to the contrary. Duke classifies as net assets with donor restrictions the sum of (a) the original value of gifts donated to the

donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, (c) additions to the donor restricted endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund, and (d) the appreciation on donor-restricted endowment funds until those amounts are appropriated for expenditure by Duke in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The amounts appropriated for expenditure are based on the endowment spending rate per unit and the number of units for each fund. The spending rate is evaluated and approved by the Board annually as part of Duke's operating budget.

Endowment net assets consist of the following at June 30, 2025:	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Historical value	\$ –	\$ 2,957,935	\$ 2,957,935
Appreciation	–	4,768,763	4,768,763
Total donor-restricted endowment funds	–	7,726,698	7,726,698
Board-designated endowment funds	3,392,337	–	3,392,337
Interests in perpetual trusts held by others	–	1,199,420	1,199,420
Total endowed net assets	\$ 3,392,337	\$ 8,926,118	\$ 12,318,455

¹ Purpose includes instruction, research and student aid.

Endowment net assets consist of the following at June 30, 2024:	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds:			
Historical value	\$ —	\$ 2,807,783	\$ 2,807,783
Appreciation	—	4,549,394	4,549,394
Total donor-restricted endowment funds	—	7,357,177	7,357,177
Board-designated endowment funds	3,369,556	—	3,369,556
Interests in perpetual trusts held by others	—	1,163,261	1,163,261
Total endowed net assets	\$ 3,369,556	\$ 8,520,438	\$ 11,889,994

The purposes of endowed net assets as of June 30, 2025 are as follows:	Without Donor Restrictions	With Donor Restrictions	Total
Instruction	\$ 1,949,676	\$ 5,081,807	\$ 7,031,483
Student aid	170,095	2,666,994	2,837,089
Program support	1,272,566	1,177,317	2,449,883
Total endowed net assets	\$ 3,392,337	\$ 8,926,118	\$ 12,318,455

The purposes of endowed net assets as of June 30, 2024 are as follows:	Without Donor Restrictions	With Donor Restrictions	Total
Instruction	\$ 1,956,441	\$ 4,846,001	\$ 6,802,442
Student aid	165,450	2,547,872	2,713,322
Program support	1,247,665	1,126,565	2,374,230
Total endowed net assets	\$ 3,369,556	\$ 8,520,438	\$ 11,889,994

Spending Policy

Duke utilizes the total return concept (income yield and appreciation) in the management of its endowment. Duke has implemented a spending policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. In accordance with Duke's policy and guided by UPMIFA, a predetermined endowment spending rate consistent with Duke's total return objective is established and approved by the Board annually. Should endowment returns prove to be insufficient to support this policy, the balance is provided from accumulated capital gains. Should endowment returns exceed the amounts necessary to attain this objective, the balance is reinvested. The effective spending rates for fiscal 2025 were 5.2% for financial aid endowments and 4.8% for non-financial aid endowments. The effective spending rates for fiscal 2024 were 5.3% for financial aid endowments and 4.9% for non-financial aid endowments. The annual distribution under the spending policy described above is reported as investment return included in operating revenues. Additionally, the Board authorizes the use of specific amounts of previously reinvested income, capital gains, and principal related to Board-designated endowment funds for special academic development initiatives and to support the operations and maintenance of certain facilities. The amounts reported in the consolidated statements of activities include supplemental endowment distributions totaling \$157,055 and \$154,186 in fiscal 2025 and 2024, respectively.

Return Objectives and Risk Parameters

Under the policy approved by the Board, endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of 70% of the MSCI All Country World Index and 30% of the Bloomberg Barclays U.S. Aggregate Bond Index. Duke expects its endowment funds, over long time periods, to provide an average annual real rate of return of approximately 5.0%. Actual returns in any given year may vary from this amount.

Funds with Deficiencies

From time to time, the fair value of endowment assets may fall below the fund's original value. Deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2025, endowment funds with an original gift amount of \$76,459 had a market value of \$73,329, which is a deficiency of \$3,130 below the original gift amount. As of June 30, 2024, endowment funds with an original gift amount of \$150,381 had a market value of \$144,182, which is a deficiency of \$6,199 below the original gift amount.

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Balance as of June 30, 2023	\$ 3,382,623	\$ 8,219,607	\$ 11,602,230
Investment return, net	206,984	520,939	727,923
Contributions	–	133,189	133,189
New Board-designated endowment funds	16,097	–	16,097
Appropriations for expenditure	(236,148)	(353,297)	(589,445)
Balance as of June 30, 2024	<u>\$ 3,369,556</u>	<u>\$ 8,520,438</u>	<u>\$ 11,889,994</u>
Investment return, net	255,895	636,072	891,967
Contributions	–	129,738	129,738
New Board-designated endowment funds	4,816	–	4,816
Appropriations for expenditure	(237,930)	(360,130)	(598,060)
Balance as of June 30, 2025	<u>\$ 3,392,337</u>	<u>\$ 8,926,118</u>	<u>\$ 12,318,455</u>

10. Pension and Other Postretirement Benefit Plans

Defined Contribution Retirement Savings Plan

Faculty and staff members of Duke are eligible to participate in a defined contribution plan. Faculty and exempt staff members are eligible to receive employer-provided contributions in this plan. For fiscal 2025 and 2024, Duke contributed \$308,871 and \$303,955, respectively, to this plan. Duke expects to contribute \$331,347 to this plan in fiscal 2026.

Defined Benefit Pension and Postretirement Medical Benefit Plans

Duke has a noncontributory defined benefit pension plan for substantially all non-exempt employees. The benefit for this plan is based on years of service and the employee's compensation during the last 10 years of employment. Duke expects to contribute \$38,178 to the plan in fiscal 2026.

At June 30, 2025 and 2024, the accumulated benefit obligation for the pension benefits was \$2,145,018 and \$2,076,641, respectively. At June 30, 2025 and 2024, the plan was over funded in relation to accumulated benefits by \$639,813 and \$540,175, respectively.

Duke also sponsors an unfunded defined benefit postretirement medical plan that covers all full-time employees who elect coverage and satisfy the plan's eligibility requirements when they retire. The plan

is contributory with retiree contributions established as a percentage of the total premium for medical care for retirees and their dependents. Duke pays all benefits on a current basis. DUHS employees hired after June 30, 2002 are not eligible for DUHS contributions to the cost of this benefit and must bear the full cost themselves if elected at retirement.

As a healthcare provider, Duke utilizes an incremental cost approach to determine its liability for the postretirement medical plan. The total liability reflects estimated additional costs to provide medical benefits to retirees within DUHS facilities plus the full cost to provide medical benefits to retirees at facilities other than DUHS.

The measurement date for both the defined benefit pension plan and the postretirement medical benefit plan is June 30. Duke recognizes the full funded status of its defined benefit pension and other postretirement benefit plans in the consolidated balance sheets. Accordingly, the asset for pension benefits as recognized in the consolidated balance sheets represents the actuarially determined projected benefit obligation (PBO) less than of the fair value of plan assets at year end. At June 30, 2025, the asset for pension benefits is included in prepaid expenses, inventories and other assets. The liability for other postretirement benefits as recognized in the consolidated balance sheets represents the actuarially determined accumulated postretirement benefit obligation at year end.

The following tables provide a reconciliation of the plans' PBO and fair value of assets:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
<i>Reconciliation of benefit obligation</i>				
PBO at beginning of year	\$ 2,255,263	\$ 2,294,069	\$ 246,739	\$ 245,825
Service cost	81,709	85,630	5,413	5,195
Interest cost	121,618	115,585	12,976	12,155
Actuarial gain	(45,050)	(143,533)	(35,629)	(3,317)
Plan changes	369	–	–	–
Benefit payments	(95,905)	(91,288)	(13,772)	(13,119)
Administrative expenses (estimated)	(5,500)	(5,200)	–	–
PBO at end of year	<u>\$ 2,312,504</u>	<u>\$ 2,255,263</u>	<u>\$ 215,727</u>	<u>\$ 246,739</u>

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
<i>Reconciliation of fair value for plan assets</i>				
Fair value of plan assets at beginning of year	\$ 2,616,816	\$ 2,461,449	\$ –	\$ –
Actual return on plan assets	233,757	219,110	–	–
Employer contributions	35,284	32,381	–	–
Participant contributions	269	259	–	–
Benefit payments	(95,905)	(91,288)	–	–
Administrative expenses	(5,390)	(5,095)	–	–
Fair value of plan assets at end of year	<u>\$ 2,784,831</u>	<u>\$ 2,616,816</u>	<u>\$ –</u>	<u>\$ –</u>
<i>Funded status</i>				
Net accrued benefit asset (liability)	<u>\$ 472,327</u>	<u>\$ 361,553</u>	<u>\$ (215,727)</u>	<u>\$ (246,739)</u>

The following table provides the fiscal 2025 and 2024 components of net periodic benefit cost. Service cost is included in employee benefits and all other components are included in other pension and postretirement benefit changes in the consolidated statements of activities.

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Service cost	\$ 81,709	\$ 85,630	\$ 5,413	\$ 5,195
Interest cost	121,618	115,585	12,976	12,155
Expected return on plan assets	(209,594)	(195,761)	–	–
Amortization of prior-service cost and losses	2,144	2,533	(528)	(264)
Expected participant contributions	(268)	(251)	–	–
Recognized actuarial gain	(29,064)	(14,222)	131	–
Net periodic benefit (credit) cost	<u>\$ (33,455)</u>	<u>\$ (6,486)</u>	<u>\$ 17,992</u>	<u>\$ 17,086</u>

The prior-service costs are amortized on a straight-line basis over the average remaining service period of active participants. The expected amortization of prior-service cost and losses for fiscal 2026 is \$2,185 and \$131 for the pension and postretirement benefits, respectively. The expected amortization of actuarial gains for fiscal 2026 is \$35,474 and \$3,273 for the pension and postretirement benefits, respectively. Unrecognized prior-service costs were \$12,521 and \$773 and unrecognized actuarial gains were \$570,621 and \$67,068 for the pension and postretirement benefits, respectively, as of June 30, 2025. Unrecognized prior-service costs were \$14,296 and \$904 and unrecognized actuarial gains were \$530,361 and \$31,967 for the pension and postretirement benefits, respectively, as of June 30, 2024.

The following tables provide details of the other significant changes in the plan asset and benefit obligations:

	Pension Benefits		Postretirement Benefits	
	2025	2024	2025	2024
Actuarial gain due to investment performance	\$ 24,275	\$ 23,461	\$ –	\$ –
Actuarial gain (loss) due to change in discount rate	42,062	121,743	(3,837)	9,016
Actuarial gain recognized in current year expense	(29,064)	(14,222)	(528)	(395)
Other changes in net actuarial assumptions	121,321	117,671	27,018	(17,459)
Total other pension and postretirement benefit changes	<u>\$ 158,594</u>	<u>\$ 248,653</u>	<u>\$ 22,653</u>	<u>\$ (8,838)</u>

The assumptions used in the measurement of Duke's benefit obligation and benefit cost are shown in the following table:

	Pension Benefits				Postretirement Benefits			
	2025		2024		2025		2024	
Weighted average assumptions as of measurement date	Obligation	Cost	Obligation	Cost	Obligation	Cost	Obligation	Cost
Discount rate	5.64%	5.51%	5.51%	5.14%	5.20%	5.41%	5.41%	5.08%
Expected return on plan assets	N/A	8.00%	N/A	8.00%	N/A	N/A	N/A	N/A
Rate of compensation increase	5.00%/1.00% ¹	5.00%/1.00% ¹	5.00%/1.00% ¹	5.00%/1.00% ¹	N/A	N/A	N/A	N/A

In order to determine the benefit obligation as of June 30, 2025, the per capita costs of covered health care benefits was assumed to increase 8.5% for non-Medicare eligible employees and 11.0% for Medicare eligible employees, declining to an ultimate annual rate of increase of 4.5% by 2037 for non-Medicare and 2036 for Medicare eligible employees. The benefit expense for fiscal 2025 was driven by the rates used to determine the obligation at June 30, 2024, which were 7.5% for non-Medicare eligible employees and 6.75% for Medicare eligible employees declining to an ultimate annual rate of increase of 4.5% by 2037 for non-Medicare eligible employees and 2034 for Medicare eligible employees.

The projected payments to beneficiaries under the respective plans for each of the five fiscal years subsequent to June 30, 2025 are as follows:

	Pension Benefits	Postretirement Benefits
2026	\$ 103,518	\$ 12,754
2027	109,344	13,933
2028	115,356	15,052
2029	121,835	16,107
2030	128,889	16,722

Projected aggregate payments for pension and postretirement benefits for the five-year period ending June 30, 2035 are \$752,301 and \$97,069, respectively.

Defined Benefit Pension Plan Assets

The pension plan's investment strategy focuses on maximizing total return and places limited emphasis on liability matching and no emphasis on generating income. Over the long term, the plan's average exposure target is 55% equity (public and private investments in companies), 7% high yield credit (high yield corporate bonds, private credit, levered loans, etc.), 15% absolute return oriented strategies, 9% commodity (direct commodity exposure, commodity related equities, and private investments in energy, power, infrastructure and timber), 7% real estate (private real estate and REITs), 7% investment-grade fixed income (public obligations including treasuries and agencies, investment-grade corporate bonds, etc.).

The expected return on pension plan assets is established at an amount that reflects the targeted asset allocation and expected returns for each component of the plan assets. The expected return was developed using a stochastic forecast model of long-term expected returns for each asset class. The rate is reviewed periodically and adjusted, as appropriate, to reflect changes in the expected market performance or in targeted asset allocation ranges.

The following is a summary of the levels within the fair value hierarchy for Duke's plan assets at June 30:

Fair value as of June 30, 2025	Level 1	Level 2	Level 3	Investments reported at NAV ²	Total
Short-term investments	\$ 102,632	\$ 120,258	\$ —	\$ 79	\$ 222,969
Fixed income	28,452	352,754	—	93,356	474,562
Equities	233,809	6,954	—	100,901	341,664
Hedged strategies	378	(2,140)	—	548,273	546,511
Private capital	1,035	—	40,744	836,930	878,709
Real assets	31,113	3,010	—	262,353	296,476
Other	(29,714)	53,654	—	—	23,940
Total investments	\$ 367,705	\$ 534,490	\$ 40,744	\$ 1,841,892	\$ 2,784,831

¹ Compensation increases are calculated on a sliding scale based on length of service beginning with 5.0% in the first year of service, and declining to 1.00% at 60 years of service and thereafter.

² Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. Plan investments reported at NAV have the same strategies as those in Duke's investment pools described in Note 7.

Fair value as of June 30, 2024	Level 1	Level 2	Level 3	Investments reported at NAV ¹	Total
Short-term investments	\$ 127,591	\$ 100,118	\$ –	\$ –	\$ 227,709
Fixed income	21,595	289,115	–	88,683	399,393
Equities	319,580	120	–	89,048	408,748
Hedged strategies	53	(222)	–	440,654	440,485
Private capital	1,489	–	47,367	781,095	829,951
Real assets	21,111	(5,334)	–	265,011	280,788
Other	(19,626)	49,368	–	–	29,742
Total investments	\$ 471,793	\$ 433,165	\$ 47,367	\$ 1,664,491	\$ 2,616,816

The following tables present additional information about Level 3 plan assets. Both observable and unobservable inputs may be used to determine the fair value of positions that the Plan has classified within the Level 3 category. As a result, the unrealized gains and losses for assets within the Level 3 category in the table below may include changes in fair value that were attributable to both observable and unobservable inputs.

	Balance as of June 30, 2024	Net realized and unrealized losses	Purchases	Sales	Balance as of June 30, 2025
Private capital	\$ 47,367	\$ (2,606)	\$ 4,425	\$ (8,442)	\$ 40,744

	Balance as of June 30, 2023	Net realized and unrealized losses	Purchases	Sales	Balance as of June 30, 2024
Private capital	\$ 51,292	\$ (5,877)	\$ 6,141	\$ (4,189)	\$ 47,367

11. Land, Buildings, and Equipment

Land, buildings, and equipment, net, are summarized as follows at June 30:

	2025	2024
Land and land improvements	\$ 607,235	\$ 570,139
Buildings and utilities	8,191,965	7,839,795
Computer software	402,175	401,161
Equipment, furniture and vessels	2,089,924	2,036,878
Library and art collections	684,118	659,850
Construction in progress	312,472	340,010
Buildings and equipment under finance leases	<u>188,508</u>	<u>198,979</u>
Land, buildings and equipment, gross	12,476,397	12,046,812
Accumulated depreciation and amortization	<u>(7,740,594)</u>	<u>(7,357,222)</u>
Land buildings and equipment, net	\$ 4,735,803	\$ 4,689,590

Accumulated amortization for finance leases was \$87,520 and 90,837 for the years ended June 30, 2025 and 2024, respectively.

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings on tax-exempt debt. Total net interest cost of \$5,062 and \$5,869 was capitalized in fiscal 2025 and 2024, respectively.

Duke has identified conditional asset retirement obligations primarily related to the costs of asbestos removal and disposal that will result from future remediation activity. The liability was estimated using inflation rates ranging from 3.4% to 5.0% and discount rates ranging from 2.7% to 4.6%. Conditional asset retirement obligations recognized at June 30, 2025 and 2024 were \$46,838 and \$44,882, respectively, and are reported in other liabilities on the consolidated balance sheets.

¹ Certain investments that are measured at fair value using the NAV per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. Plan investments reported at NAV have the same strategies as those in Duke's investment pools described in Note 7.

12. Notes and Bonds Payable

Notes and bonds payable at June 30 consist of the following:

	Fiscal year of maturity	Effective interest rate	Outstanding principal	
			2025	2024
University Tax-Exempt Bonds:				
Variable-rate bonds				
Series 1992A	2027	2.9%	\$ 14,240	\$ 21,240
Fixed-rate bonds				
Series 2016B	2045	4.7%	328,605	328,605
University Taxable Bonds:				
Fixed-rate bonds				
Series 2007A	2037	5.9%	200,000	200,000
Series 2015A	2049	4.1%	175,865	175,865
Series 2016A	2047	3.2%	528,780	528,780
Series 2020A	2056	2.8%	1,279,255	1,279,255
DUHS Tax-Exempt Bonds:				
Variable-rate bonds				
Series 2005A	2028	–	–	42,555
Series 2005B	2028	–	–	13,775
Series 2006A, B, and C (see Note 13)	2039	–	–	121,620
Series 2016B	2042	–	–	90,000
Series 2016C	2042	–	–	90,000
Fixed-rate bonds				
Series 2016A	2028	1.8%	57,595	74,925
Series 2016D	2042	3.4%	125,100	125,100
Series 2025A	2042	4.5%	324,450	–
Long-term-rate bonds:				
Series 2025B	2055	4.9%	164,330	–
DUHS Taxable Bonds:				
Fixed-rate bonds				
Series 2017	2047	3.9%	600,000	600,000
Series 2020	2042	2.9%	288,328	292,032
DUHS taxable commercial paper	<1 year	4.7%	250,000	150,000
DUHS line of credit agreements	2026	5.0%	150,000	150,000
Other notes payable	Various	Various	10,967	11,056
Finance lease obligations (see Note 17)	Various	Various	149,481	155,461
Unamortized premium			82,480	53,421
Unamortized debt issuance costs			(15,829)	(13,397)
Notes and bonds payable			<u>\$ 4,713,647</u>	<u>\$ 4,490,293</u>

The aggregate annual maturities for Duke’s outstanding debt at June 30, 2025 are as follows:

Fiscal Year	Principal Payments
2026	\$ 292,089
2027	64,917
2028	37,200
2029	37,739
2030	39,213
Thereafter	4,026,357
Total principal payments	\$ 4,497,515

Duke capitalizes and amortizes the original issue premium and issue costs related to applicable bond issues in a manner that approximates the interest method. Total net amortization for issue costs and premiums was \$4,242 and \$4,620 for fiscal 2025 and 2024, respectively, and is included as a reduction of interest expense in the consolidated statements of activities.

During fiscal year 2025, DUHS increased its taxable commercial paper program from \$500,000 to \$800,000. The commercial paper can be issued in \$100,000 tranches and in multiples of \$1,000 above \$100,000. No notes are issued if more than \$75,000 of notes would mature within any five consecutive business days.

On June 25, 2025, DUHS issued the Series 2025A and Series 2025B tax-exempt revenue bonds (collectively, Series 2025 bonds) in the aggregate par amount of \$488,780 to (1) refund the DUHS 2005A bonds, 2005B bonds, 2006 A/B/C bonds, 2016B bonds, and 2016C bonds, (2) finance part of the cost of additional health care facilities, and (3) pay certain expenses of issuing the Series 2025 bonds. The Series 2025 bonds were issued at a premium of \$34,061. Unless DUHS rescinds its option to convert the 2025B bonds to a new interest rate period, the 2025B bonds are subject to mandatory purchase after the initial long-term interest rate period ends on June 4, 2030.

Trust indentures underlying the DUHS Revenue Bonds contain certain covenants and restrictions.

13. Derivative and Other Financial Instruments

Investment strategies employed by DUMAC and investment managers retained by DUMAC incorporate the use of various derivative financial instruments. DUMAC uses these instruments for a number of investment purposes, including hedging or altering exposure to certain asset classes and cost-effectively adding exposures to portions of the portfolio. Positions are expected to create gains or losses that, when combined with the applicable portion of the total investment portfolio, provide an expected result.

During fiscal 2025 and 2024, Duke, or external investment managers on Duke’s behalf, entered into swap agreements, futures contracts, or forward contracts, and acquired warrants or rights to increase, reduce or otherwise modify investment exposures. These instruments expose Duke to risk of an unexpected movement in the fair value of the underlying security, a counterparty failing to meet its obligations, and, in certain circumstances, not being able to unwind a position at current fair market value due to market illiquidity. Duke has established procedures to monitor and manage these risks.

Duke’s investment related derivative exposures, categorized by primary underlying risk, are as follows:

Primary underlying risk as of June 30, 2025	Long Notional	Short Notional	Derivative assets	Derivative liabilities	Net unrealized gain (loss)
Equity Price ¹	\$ 2,168,594	\$ 417,328	\$ 89,372	\$ (36,172)	\$ 84,411
Interest Rate ²	3,738,007	1,773,129	328,222	(263,793)	2,051
Commodity Price ³	580,670	22,104	6,515	(11,754)	18,054
Credit ⁴	6,687,544	2,806,811	205,435	(45,056)	(43,283)
Foreign currency exchange rate ⁵	84,315	769,488	2,095	(15,635)	(26,602)
Total	\$ 13,259,130	\$ 5,788,860	\$ 631,639	\$ (372,410)	\$ 34,631

¹ Includes options, swaps, and futures contracts.

² Includes options, swaps, swaptions, futures, and TBA contracts.

³ Includes futures contracts.

⁴ Includes credit default swaps, swaptions, and credit total return swaps.

⁵ Includes forward contracts and futures contracts.

Primary underlying risk as of June 30, 2024	Long Notional	Short Notional	Derivative assets	Derivative liabilities	Net unrealized gain (loss)
Equity Price ¹	\$ 2,520,167	\$ 536,538	\$ 71,309	\$ (73,705)	\$ 150,028
Interest Rate ²	1,382,368	208,738	1,887	(12,152)	(47,565)
Commodity Price ³	471,681	20,154	2,644	(6,806)	18,043
Credit ⁴	6,722,458	4,277,086	211,507	(34,998)	(93,245)
Foreign currency exchange rate ⁵	105,021	677,360	37,220	(104,488)	11,674
Total	<u>\$ 11,201,695</u>	<u>\$ 5,719,876</u>	<u>\$ 324,567</u>	<u>\$ (232,149)</u>	<u>\$ 38,935</u>

As part of relative value strategies, Duke and investment managers, on Duke's behalf, entered into credit default swap derivative transactions on investment grade and high yield securities which typically have terms of five years or less to buy and sell credit protection. At June 30, 2025 and 2024, the notional of protection sold was \$6,138,226 and \$6,698,571 and the notional of protection bought with identical underlying assets was \$730,203 and \$507,137, respectively. These instruments are included in the credit line of the preceding tables.

Additionally, Duke and investment managers on Duke's behalf enter into TBA mortgage-backed security transactions in which price, quantity and settlement date are defined at the time of the trade. The specific mortgage pool to be delivered is determined just prior to settlement. At June 30, 2025 and 2024, the notional value of TBA agreements entered into was \$61,950 and \$71,000, respectively. These instruments are included in the interest rate line of the preceding tables.

Duke's investment related derivative assets and liabilities at June 30, by counterparty, are as follows:

	2025			2024		
	Assets	Liabilities	Cash Collateral (Held) Pledged	Assets	Liabilities	Cash Collateral Pledged (Held)
Counterparty A	\$ 184,596	\$ (171,731)	\$ (60,455)	\$ 36,143	\$ (35,629)	\$ (3,780)
Counterparty B	58,960	(4,537)	(4,152)	11,521	(3,600)	(6,224)
Counterparty C	54,994	(42,965)	244,780	92,180	(22,699)	124,143
Counterparty D	132,463	(24,925)	(72,749)	80,810	(19,960)	(57,353)
Counterparty E	48,449	(51,395)	(43,510)	41,518	(32,505)	(12,630)
Counterparty F	72,496	(38,769)	(23)	5,279	(79,587)	(1,142)
Counterparty G	857	(7,756)	5,395	779	(19,834)	(1,090)
Counterparty H	21,770	(4,585)	(16,000)	43,156	(14,417)	(28,400)
Counterparty I	48,506	(389)	270	5,175	-	-
All Others	8,548	(25,358)	14,581	8,006	(3,918)	(470)
Total	<u>\$ 631,639</u>	<u>\$ (372,410)</u>	<u>\$ 68,137</u>	<u>\$ 324,567</u>	<u>\$ (232,149)</u>	<u>\$ 13,054</u>

Cash collateral pledged includes initial margin of \$287,150 and \$188,134 at June 30, 2025 and 2024, respectively.

In addition, DUHS had previously executed derivative financial instruments in the normal course of managing its debt portfolio using long term strategies to synthetically decrease the variable rate exposure associated with its portfolio of debt. Effective June 25, 2025 all DUHS variable rate debt was retired and, as a result, all remaining derivative instruments are no longer held for purposes of debt management. The derivative instruments are accounted for at fair market value and recorded separately from the investment portfolio.

The following table summarizes the general terms for each of DUHS' outstanding swap agreements:

Effective date	Maturity date	Current notional amount	Rate Duke pays	Rate Duke receives
Interest rate:				
May 19, 2005	June 2028	\$ 97,505	3.60%	61.52% of 30-day compounded daily SOFR plus 0.28%
April 1, 2009	June 2039	\$ 127,505	4.11%	67.0% of 30-day compounded daily SOFR

¹ Includes options, swaps, and futures contracts.

² Includes options, swaps, swaptions, futures, and TBA contracts.

³ Includes options and futures contracts.

⁴ Includes credit default swaps, swaptions, and credit total return swaps.

⁵ Includes options and forward contracts.

The fair value of each swap is the estimated amount DUHS would receive or pay to terminate the swap agreement at the reporting date, taking into account current interest rates and the current creditworthiness of the swap counterparties. The fair value is included in other liabilities on the consolidated balance sheets. The change in fair value is included as a gain or loss in other nonoperating activities on the consolidated statements of activities. The net settlement amount incurred on the swaps is included in interest expense on the consolidated statements of activities. The debt derivative instruments contain cross-collateralization provisions that require each counterparty to post collateral if the fair value meets certain thresholds.

DUHS derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investor Service and Standard & Poor's Rating Service. If the ratings of DUHS' debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. At June 30, 2025 and 2024, DUHS' long-term debt ratings exceeded these requirements. The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a net liability position on June 30, 2025 and 2024 was \$17,616 and \$16,553, respectively, for which DUHS has no posted collateral in the normal course of business.

Financial Information Related to Swap Agreements	2025		2024	
	Fair Value	Loss	Fair Value	Gain
May 2005 Interest Rate Swap	\$ (2,005)	\$ (361)	\$ (1,644)	\$ 912
April 2009 Interest Rate Swap	(15,611)	(702)	(14,909)	4,395
Total	<u>\$ (17,616)</u>	<u>\$ (1,063)</u>	<u>\$ (16,553)</u>	<u>\$ 5,307</u>

DUHS is exposed to financial loss in the event of nonperformance by a counterparty to any of the financial instruments described above. General market conditions could impact the credit standing of the counterparties and, therefore, potentially impact the value of the instruments on the consolidated balance sheets. DUHS controls this counterparty credit risk by considering the credit rating, business risk,

and reputation of any counterparty before entering into a transaction, monitoring for any change in the credit standing of its counterparty during the life of the transaction, and requiring collateral be posted when predetermined thresholds are crossed. DUHS is also exposed to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis swap.

14. Related Parties

The Duke Endowment

Established in 1924 by James Buchanan Duke, The Duke Endowment is a charitable trust created to promote philanthropic purposes by making grants for educational, health care, child care, and religious purposes within North Carolina and South Carolina. The University is a named beneficiary of The Duke Endowment and receives substantial support from The Duke Endowment in the forms of unrestricted operating support and discretionary grants. While Duke and The Duke Endowment have a common heritage, each having been founded through the generosity of James Buchanan Duke, they are two separate entities, each with its own purposes, office, officers, and trustees. The Duke Endowment has been required by its indenture to distribute certain amounts of income to Duke from the Original Corpus, Corpus Item VIII, and Corpus Item XI, subject to a limited right to withhold by The Duke Endowment trustees. Through June 30, 2025, this right to withhold has never been exercised. Unrestricted operating support from The Duke Endowment was \$12,500 for fiscal 2025 and 2024 and is reflected in investment return designated for current operations in the consolidated statements of activities.

Duke received discretionary pledges and outright gifts of \$59,408 and \$76,881 in fiscal 2025 and 2024, respectively, from The Duke Endowment which are included within contributions on the consolidated statements of activities. In fiscal 2025 and 2024 Duke received cash payments from The Duke Endowment for outstanding pledges and outright gifts of \$50,531 and \$78,005, respectively. Outstanding pledges from The Duke Endowment as of June 30, 2025 and 2024 were \$196,238 and \$185,904, respectively, and are included within contributions receivable on the consolidated balance sheets.

At June 30, 2025 and 2024, the portion of The Duke Endowment's net assets included in net assets with donor restrictions on Duke's consolidated balance sheets, and from which Duke derives unrestricted operating support, had a fair value of \$1,052,698 and \$1,018,933, respectively. Duke has no equity interest in the principal of The Duke Endowment trust, which had a fair value of approximately \$5,200,000 at June 30, 2025.

15. Functional Expenses

Expenses are presented by functional classification in accordance with the overall service mission of Duke. Duke's primary program services are academic instruction and research, and health care services. Expenses for auxiliary enterprises, library, and student services are incurred in support of academic instruction and research, and as such are included therein. Plant operation and maintenance expense is

allocated to program and supporting activities based upon periodic assessment of facilities usage. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques, such as square footage and time and effort. Total amounts allocated in fiscal 2025 and 2024 were \$209,298 and \$204,791, respectively.

Expenses are reported in the consolidated statements of activities in natural categories. Functional expenses were categorized as follows:

For the year ended June 30, 2025:	Academic instruction & research	Health care services	General administration	Total
Salaries and wages	\$ 1,663,352	\$ 2,490,845	\$ 887,467	\$ 5,041,664
Employee benefits	401,005	605,392	182,651	1,189,048
Student aid	61,432	–	–	61,432
Other operating expenses ¹	1,000,884	2,710,282	316,709	4,027,875
Interest	47,885	75,880	37,747	161,512
Depreciation	262,168	183,850	25,659	471,677
Total	<u>\$ 3,436,726</u>	<u>\$ 6,066,249</u>	<u>\$ 1,450,233</u>	<u>\$ 10,953,208</u>

For the year ended June 30, 2024:	Academic instruction & research	Health care services	General administration	Total
Salaries and wages	\$ 1,567,933	\$ 2,324,844	\$ 870,046	\$ 4,762,823
Employee benefits	386,882	558,964	236,715	1,182,561
Student aid	58,398	–	–	58,398
Other operating expenses ¹	994,603	2,403,630	280,751	3,678,984
Interest	50,224	77,422	36,158	163,804
Depreciation	257,844	184,802	27,825	470,471
Total	<u>\$ 3,315,884</u>	<u>\$ 5,549,662</u>	<u>\$ 1,451,495</u>	<u>\$ 10,317,041</u>

¹ Other operating expenses primarily includes payments for supplies, professional services, and subrecipients for research.

16. Managing Conflicts of Interest

Members of Duke's governing boards and senior administration may, from time to time, be associated, either directly or indirectly, with companies doing business with Duke.

Written conflict of interest policies are maintained for members of the governing boards of the University, DUHS, and DUMAC that require, among other things, that no member of a governing board may participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each governing board member is required to certify compliance with the conflict of interest policy on an annual basis and indicate whether Duke does business with an entity in which that member (or an immediate family member) has a material financial interest. When such relationships exist, measures, including written management plans, are taken to mitigate any actual or perceived conflict, including requiring that such transactions be

conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interests of Duke, and in accordance with applicable conflict of interest laws and policies in effect. No such associations that have been disclosed are considered to be material to the consolidated financial statements.

For members of the senior administration, Duke requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with Duke. These annual disclosures cover members of the senior administration and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of Duke. No such associations that have been disclosed are considered to be material to the consolidated financial statements.

17. Leases

The components of lease expense for the year ended June 30, 2025 and 2024 are as follows:

	2025	2024
Finance lease expense:		
Amortization of right-of-use assets	\$ 16,682	\$ 20,354
Interest on lease liabilities	7,392	7,398
Operating lease expense	135,785	132,938
Short-term lease expense	47,941	46,265
Total lease expense	\$ 207,800	\$ 206,955
Increase in right-of-use assets obtained in exchange for lease liabilities:		
Finance leases	\$ 9,412	\$ 26,889
Operating leases ¹	22,700	227,081
Weighted-average remaining lease term:		
Finance leases	35 years	33 years
Operating leases	12 years	12 years
Weighted-average discount rate:		
Finance leases	5.26%	5.20%
Operating leases	2.90%	2.83%

Duke leases various machinery, equipment and buildings under operating and financing leases expiring at various dates through 2038.

Aggregate future minimum lease payments under noncancelable finance and operating leases as of June 30, 2025 are as follows:

Year	Finance Leases	Operating Leases
2026	\$ 17,721	\$ 116,353
2027	13,943	121,176
2028	11,406	117,344
2029	9,298	113,049
2030	8,724	108,568
Thereafter	265,544	671,660
Total lease payments	326,636	1,248,150
Less: Interest portion	(177,155)	(187,367)
Total lease liabilities	\$ 149,481	\$ 1,060,783

¹ Fiscal 2024 includes \$204,223 of operating leases recognized with the physician organization acquisition (see Note 2).

18. Commitments and Contingencies

Construction and Purchase Commitments

At June 30, 2025, open contracts for the construction of physical properties amounted to \$431,888.

Medical Malpractice Coverage

DCC (see Note 1) insures a portion of the medical malpractice risks and patient general liability, privacy/cyber liability, and international liability risks of DUHS clinical providers. The assets, liabilities, and results of operations for DCC have been reflected in the net assets without donor restrictions of Duke. DCC limits its exposure to loss through reinsurance and excess loss agreements.

Estimated professional liability costs include the estimated cost for reported claims incurred in the DCC program. DCC evaluates its estimated professional liability on a discounted actuarial basis. The discount rate at June 30, 2025 and 2024 was 3.5%. Accrued professional liability costs as of June 30, 2025 and 2024 amounted to \$41,249 and \$46,721, respectively. Investments and other receivables in this amount have been designated by DUHS to settle these claims. Also included in estimated professional liability costs are estimated claims incurred but not reported related to DUHS in the amounts of \$20,627 and \$19,096 as of June 30, 2025 and 2024, respectively.

The estimated liability for professional and general liability claims may be significantly affected if current and future claims differ from historical trends. While the administration monitors reported claims closely and considers potential outcomes as estimated by its actuaries when determining its professional and patient general liability accruals, the complexity of the claims, the extended period of time to settle the claims, and the wide range of potential outcomes complicate the estimation. In the opinion of the administration, adequate provision has been made for this related risk.

Self-Insurance

Duke provides employee healthcare benefits, long-term disability benefits, unemployment benefits, and workers' compensation benefits primarily through employer contributions, participant contributions, and excess loss insurance, and manages those programs through third-party administrators. In the opinion of the administration, adequate provision has been made for the related risks within accounts payable and accrued payroll or accrued postretirement/postemployment and other benefit obligations on Duke's consolidated balance sheets.

Partnership Investment Commitments

There were approximately \$1,500,000 of commitments to private capital and real asset investments as of June 30, 2025. These funds may be drawn down over the next several years upon request by the general partners. Duke expects to finance these commitments with available cash and expected proceeds from the sales of securities.

Contingencies

Duke is involved in various legal actions occurring in the normal course of activities, covering topics such as admissions and financial aid decisions, athletic injuries, personal injuries, research, employment, and intellectual property. While the final outcomes of any pending matter cannot be determined at this time, the administration is of the opinion that adequate provision, including insurance, has been made for any potential losses on these matters, where material, and the resolution of these matters will not have a material adverse effect on Duke's financial position.

Duke receives significant funding from federal sources, including student financial aid, research grants, Medicare, Medicaid and other federal programs and regularly monitors and assesses the potential impact of proposed legislation, administrative actions, and judicial decisions that may affect the higher education and health care sectors. Changes in the federal regulatory environment may impact the availability, timing, and terms of such funding and could have a material impact on Duke's financial position.

Laws and regulations governing federal programs, including Medicare and Medicaid, are complex and subject to interpretation. Compliance with such laws and regulations is subject to future government review and interpretation as well as significant regulatory action, including fines, penalties and exclusion from Federal programs. Duke, through its internal controls and various compliance programs, seeks to ensure compliance with the applicable laws and regulations, and to promptly rectify instances of noncompliance with governmental program rules.

Balance Sheets

SCHEDULE 1

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
 JUNE 30, 2025 AND 2024
 (DOLLARS IN THOUSANDS)

	2025	2024
Assets:		
Cash and cash equivalents	\$ 237,825	\$ 225,617
Operating investments	2,403,666	1,847,109
Cash, cash equivalents, and operating investments	2,641,491	2,072,726
Accounts receivable, net	360,297	400,581
Prepaid expenses, inventories, and other assets	354,183	293,348
Contributions receivable, net	412,115	402,894
Investments	14,172,353	13,731,726
Land, buildings, and equipment, net	2,487,791	2,534,816
Operating lease right-of-use assets	506,288	559,588
Interests in perpetual trusts held by others	1,197,405	1,161,234
Total assets	\$ 22,131,923	\$ 21,156,913
Liabilities:		
Accounts payable and accrued payroll	\$ 515,162	\$ 438,797
Deferred revenues and deposits	196,259	235,488
Notes and bonds payable	2,579,410	2,587,305
Operating lease liabilities	563,261	613,751
Annuity and other split-interest obligations	69,050	70,949
Accrued postretirement/postemployment and other benefit obligations	421,685	400,044
Other liabilities	263,253	234,569
Total liabilities	4,608,080	4,580,903
Net Assets:		
Without donor restrictions	7,932,976	7,404,739
With donor restrictions	9,590,867	9,171,271
Total net assets	17,523,843	16,576,010
Total liabilities and net assets	\$ 22,131,923	\$ 21,156,913

The supplementary information in this schedule presents the balance sheets of the University, exclusive of DUHS.
 See accompanying Independent Auditors' Report.

Statements of Activities

SCHEDULE 2

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
YEARS ENDED JUNE 30, 2025 AND 2024
(DOLLARS IN THOUSANDS)

	2025	2024
Net assets without donor restrictions:		
Operating revenues:		
Tuition and fees	\$ 623,120	\$ 607,684
Grants, contracts and similar agreements:		
Government sources	1,096,469	1,095,593
Other	400,588	409,872
Total grants, contracts and similar agreements	1,497,057	1,505,465
Support from clinical operations	264,047	237,243
Contributions	229,233	207,241
Investment return designated for current operations:		
The Duke Endowment	12,500	12,500
Endowment spending	593,085	551,740
Other investment income	238,328	240,556
Total investment return designated for operations	843,913	804,796
Auxiliary enterprises	341,743	313,959
Other	214,754	188,486
Net assets released from restrictions	74,113	74,309
Total operating revenues	4,087,980	3,939,183
Operating expenses:		
Salaries and wages	1,968,591	1,847,455
Employee benefits	471,111	458,365
Student aid	61,432	58,382
Other operating expenses	1,003,145	983,151
Interest expense	85,632	86,382
Depreciation and amortization expense	268,460	265,951
Total operating expenses	3,858,371	3,699,686
Operating surplus	229,609	239,497

Statements of Activities

SCHEDULE 2 (CONTINUED)

	2025	2024
Nonoperating activities:		
Contributions	\$ 4,296	\$ 1,880
Net assets released from restrictions	22,761	13,770
Investment returns in excess of amounts designated for current operations, net	215,849	174,408
Other pension and postretirement benefit changes	64,078	48,596
Transfers to DUHS	–	(11,611)
Other, net	(8,356)	(3,020)
Change in net assets without donor restrictions from nonoperating activities	<u>298,628</u>	<u>224,023</u>
Change in net assets without donor restrictions	528,237	463,520
Net assets with donor restrictions:		
Contributions	244,885	258,682
Net assets released from restrictions	(96,874)	(88,079)
Investment returns in excess of amounts designated for current operations, net	218,165	146,094
Gains on interests in perpetual trusts held by others	36,171	26,444
Other, net	17,249	3,785
Change in net assets with donor restrictions	<u>419,596</u>	<u>346,926</u>
Change in total net assets	<u>947,833</u>	<u>810,446</u>
Net assets at beginning of year	16,576,010	15,765,564
Net assets at end of year	<u>\$ 17,523,843</u>	<u>\$ 16,576,010</u>
Certain amounts disaggregated above are presented below in the aggregate:		
Contributions	\$ 478,414	\$ 467,803
Investment return (operating and nonoperating)	1,277,927	1,125,298

The supplementary information in this schedule presents the statements of activities of the University, exclusive of DUHS. See accompanying Independent Auditors' Report.

Statements of Cash Flows

SCHEDULE 3

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
YEARS ENDED JUNE 30, 2025 AND 2024
(DOLLARS IN THOUSANDS)

	2025	2024
<i>Cash flows from operating activities:</i>		
Change in net assets	\$ 947,833	\$ 810,446
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	268,460	265,951
Amortization of debt issuance costs, premium and discount	(1,864)	(1,864)
Nonperiodic changes in defined benefit plans	(28,748)	(18,370)
Loss on disposals of land, buildings and equipment	1,617	800
Restricted contributions received for long-term investment and capital projects	(235,664)	(233,345)
Investment return with donor restrictions	2,113	4,627
Net realized and unrealized gains on investments	(902,975)	(774,065)
Gains on interests in perpetual trusts held by others	(36,171)	(26,444)
Change in:		
Accounts receivable, net	40,212	(60,898)
Prepaid expenses, inventories, and other assets	(51,705)	(14,433)
Contributions receivable, net	(9,772)	(28,682)
Operating lease right-of-use assets	53,300	55,124
Accounts payable and accrued payroll	70,276	(18,282)
Deferred revenues and deposits	(39,229)	(12,021)
Annuity and other split-interest obligations	(1,899)	(2,877)
Accrued postretirement/postemployment and other benefit obligations	41,259	40,113
Operating lease liabilities	(50,490)	(51,736)
Other liabilities	28,684	20,432
Net cash provided by (used in) operating activities	95,237	(45,524)

Statements of Cash Flows

SCHEDULE 3 (CONTINUED)

	2025	2024
<i>Cash flows from investing activities:</i>		
Purchases of investments	\$ (23,129,869)	\$ (14,229,256)
Proceeds from sales and maturities of investments	23,035,660	14,497,981
Purchases of land, buildings, and equipment	(216,963)	(239,255)
Disbursements for loans to students	(2,271)	(1,622)
Repayments of loans by students	2,894	3,518
Net cash (used in) provided by investing activities	(310,549)	31,366
<i>Cash flows from financing activities:</i>		
Restricted contributions received for long-term investment and capital projects	235,664	233,345
Investment return with donor restrictions	(2,113)	(4,627)
Payments on commercial paper	–	(28,025)
Payments on borrowings	(2,997)	(5,436)
Proceeds from finance leases	129	70
Payments on finance leases	(3,163)	(2,822)
Net cash provided by financing activities	227,520	192,505
Net change in cash and cash equivalents	12,208	178,347
Cash and cash equivalents at beginning of year	225,617	47,270
Cash and cash equivalents at end of year	\$ 237,825	\$ 225,617
<i>Supplemental disclosure of cash flow information:</i>		
Change in accounts payable for land, buildings, and equipment	\$ (6,089)	\$ (5,686)
Cash paid for interest (net of amounts capitalized)	87,526	88,038

The supplementary information in this schedule presents the statements of activities of the University, exclusive of DUHS. See accompanying Independent Auditors' Report.



Duke Health Lake Norman Hospital in Mooresville, North Carolina.



171



Printed on recycled paper.