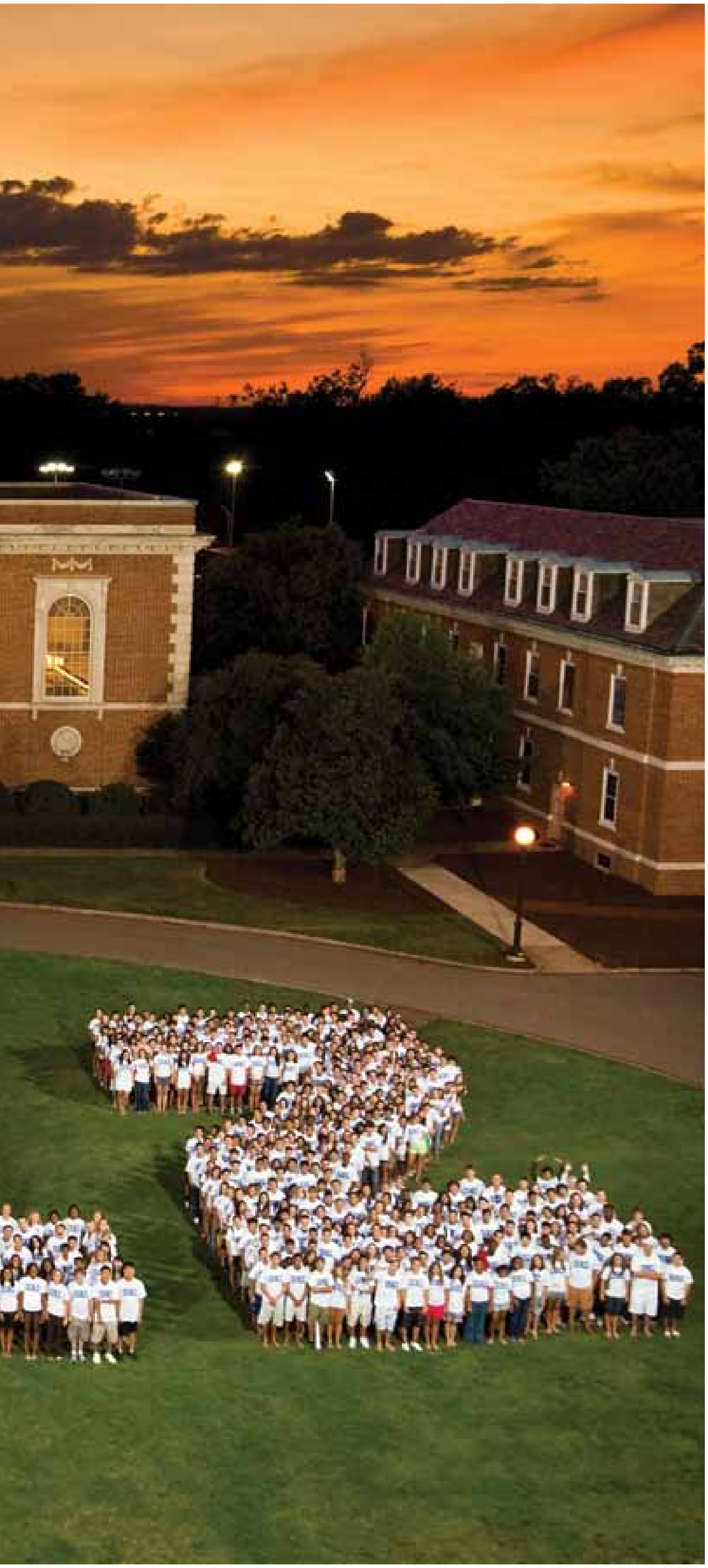
Duke UNIVERSITY

Financial Statements
2011/2012



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Duke University Financial Contacts

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Director, Financial Accounting and GAAP Reporting

The cover of this report features the Duke Cancer Center, which opened February 27, 2012.

The facing page features the Class of 2012 on East Campus.

Letter from The Executive Vice President

Fiscal 2012 was a relatively stable year for Duke financially, with a modest decline in consolidated net assets, including resources that support the educational and research missions of the University, as well as those that support the clinical mission of Duke University Health System (DUHS). The University ended the year with an operating deficit similar to that of fiscal 2010, after a year of superior results in fiscal 2011 driven by significant one-time events. DUHS delivered positive operating results for the twelfth consecutive year. A significant portion of the year-to-year decline in net assets reflects changes to the actuarial values of liabilities related to defined benefit programs offered by Duke.

The University's endowment, which declined in value by more than 25% in fiscal 2009, is $5.6 billion as of June 30, 2012, thanks largely to investment returns and new gifts. Due to relatively conservative endowment spending during years of significant market value growth, the impact of the fiscal 2009 market value decline on Duke's operations was less disruptive than that experienced at many of our peers, but the endowment is still nearly $500 million below its high mark.

The School of Medicine experienced a particularly challenging year, as the majority of support from American Recovery and Reinvestment Act (ARRA) funding expired. The School has responded to this and other financial pressures with investments in several key faculty recruitments in areas including the Duke Cancer Institute, Neurobiology and the Department of Medicine. The School is prepared for further financial pressure next year, as the administration focuses on more priority recruitments and invests in core facilities. DUHS continues to provide financial support to the School of Medicine enabling sustained excellence in both the academic medical and research realms.

DUHS again delivered superior financial results in fiscal 2012. In February 2012, the community celebrated the opening of the Duke Cancer Center, consolidating ambulatory cancer care in a single state-of-the-art facility. Over the next two years, DUHS will open the Duke Medicine Pavilion, a significant expansion of surgery and acute care capacity at the flagship Duke University Hospital, and implement a transformational clinical and revenue cycle information technology platform resulting in a single electronic health record for each patient. These investments position DUHS well to serve a growing regional and global population in areas of highest need. DUHS also continues to evaluate the impact of statutory healthcare reform and is actively participating in new federal and regional programs.

Having now reestablished the financial stability experienced before the economic downturn of 2009, the focus of the administration has returned to funding strategic investments. Financial diligence remains critical, especially since traditional methods used to fund strategic investments will be limited for the foreseeable future. Despite the progress made with several years of budgetary constraints, significant strategic funding demand remains unmet in both the short and long-terms. The administration therefore continues to explore a variety of alternative funding mechanisms with the objective to support the further advancement of Duke's priorities in the years ahead.

Duke launched *Duke Forward*, a comprehensive campaign, with the goal of raising $3.25 billion over seven years. Gifts and pledges for the campaign totaled more than $1.3 billion before it was publicly announced in September 2012.

The faculty and staff of Duke will remain focused on the prudent, prioritized use of our financial resources. I thank them for their diligence.

Tallman Trask III
Executive Vice President

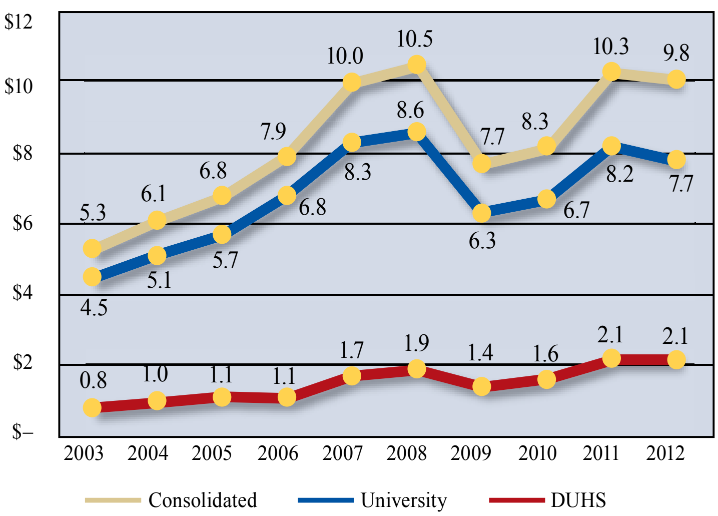
Discussion of Financial Results for Fiscal Year 2012

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 Health System (DUHS) unless specifically designated otherwise.

Net Assets

Duke's consolidated net asset base declined $0.5 billion in fiscal 2012 to $9.8 billion as of June 30, 2012. The primary driver of the decline was a fiscal 2012 reduction in interest rates used to value certain non-operating liabilities of the University. Over the past ten (10) years, despite a significant decline in fiscal 2009, consolidated net assets grew at a compounded annual growth rate of 6% due primarily to outstanding investment returns, generous philanthropic support from our alumni and other donors, superior operating results of DUHS, and prudent management of our internal resources.

Consolidated Net Assets ($ in billions)



The following table summarizes the major components of net assets activity in fiscal 2012 and fiscal 2011:

Summary of Changes in Consolidated Net Assets
(in millions)

	2012	2011
Operating results – University	$ (106)	$ 51
Operating results – DUHS	232	196
Non-operating results:		
Investment return, net of spending	(272)	1,272
Restricted contributions	203	184
Change in funded status of benefit plans	(382)	190
Interests in perpetual trusts held by others and split interests obligations	(41)	112
Other	(142)	60
Total (decrease)/increase in consolidated net assets	(508)	2,065
Total consolidated net assets	$ 9,803	$ 10,311

The operating results of the University and DUHS are detailed independently later in the Discussion. Non-operating activities of Duke resulted in a decline of $0.6 billion to the consolidated net asset base and include:

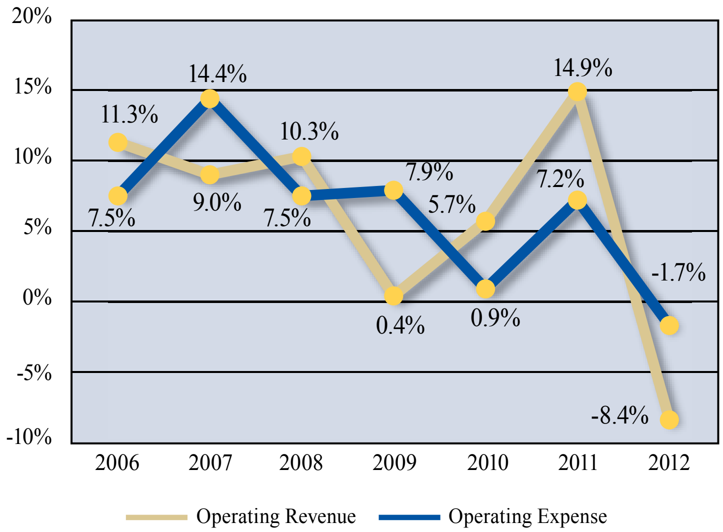
- Investment returns, net of spending (a $272 million decline). While the overall Long-Term Pool (LTP) investment return for fiscal 2012 was 1.0%, the negative investment growth reflects current year spending distributions in excess of investment returns. The spending rate calculation is described in more detail within the "Investments/Endowments" segment of this Discussion.
- Restricted contributions primarily received for endowment and capital projects ($203 million).
- Change in funded status of Duke's defined benefit plans (a decline of $382 million).
- Losses from the University's interests in perpetual trusts held by others, primarily The Duke Endowment, and changes in split interest obligations (a decline of $41 million).
- Other ($142 million decline), primarily mark-to-market losses on debt-related interest and basis swaps of DUHS, changes in noncontrolling interests in Duke's unrestricted net assets, and changes to the allowance for uncollectible pledges.

University Operating Performance

The operating results of the University, exclusive of DUHS, are presented in the supplemental Statement of Activities (Schedule 2 on page 47) following the notes to the consolidated financial statements. University operating activities for fiscal 2012 include all revenues and expenses that support teaching and research efforts, as well as other priorities of the University.

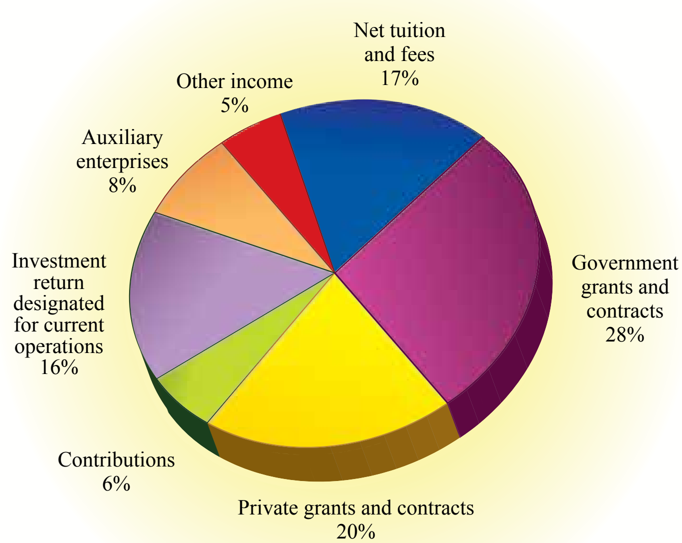
The fiscal 2012 operating results of the University declined $157 million compared to fiscal 2011, primarily reflecting two significant non-recurring revenue transactions in fiscal 2011.

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



Total operating revenues for the University declined 8%, or $195 million, to $2.14 billion in fiscal 2012. The University's major revenue components are summarized below:

FY 2012 University Operating Revenues by Source – $2.14 billion



- Grants and contracts revenue, which declined approximately 3% in fiscal 2012, represents the largest component of University revenue (48%) and is covered in detail within the "Sponsored Programs" segment of this Discussion.

- Net tuition and fees of $371 million represented 17% of University operating revenue in fiscal 2012. Gross tuition and fees ($609 million) increased $38 million, or 7%, over the prior year, reflecting modest rate increases combined with increased enrollment in several academic programs.

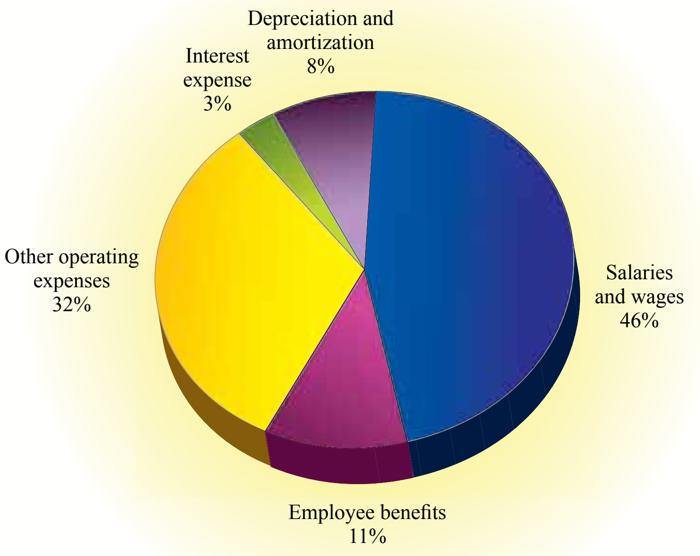
- Investment return designated for current operations, consisting of endowment spending distributions, returns on other invested funds, and distributions from The Duke Endowment, totaled $337 million in fiscal 2012, a 21% decline from the prior year. The changes in each component are covered in more detail within the "Investments/Endowments" segment of this Discussion.

- Student financial aid, which includes assistance provided to undergraduate, graduate, and professional students, is presented as a discount for financial assistance related to tuition and fees ($238 million) and as an operating expense ($35 million) for all other financial assistance, including graduate stipends. Total student financial aid increased $23 million, or 9%, in fiscal 2012, reflecting the administration's continued commitment to need-blind admission for undergraduates and strong financial support for graduate and professional students.

- Other revenue of $118 million declined $93 million, or 44%, compared to fiscal 2011. The decline is primarily attributable to the monetization of a patent within the School of Medicine in fiscal 2011. The School of Medicine sold the royalty rights for a drug developed at Duke for a one-time payment of $90 million. Absent this non-recurring transaction, other revenue would have been comparable to fiscal 2012.

Operating expenses for the University totaled $2.25 billion in fiscal 2012, a 2% decline compared to fiscal 2011. The major components of University operating expenses are summarized below:

FY 2012 University Operating Expenses – $2.25 billion

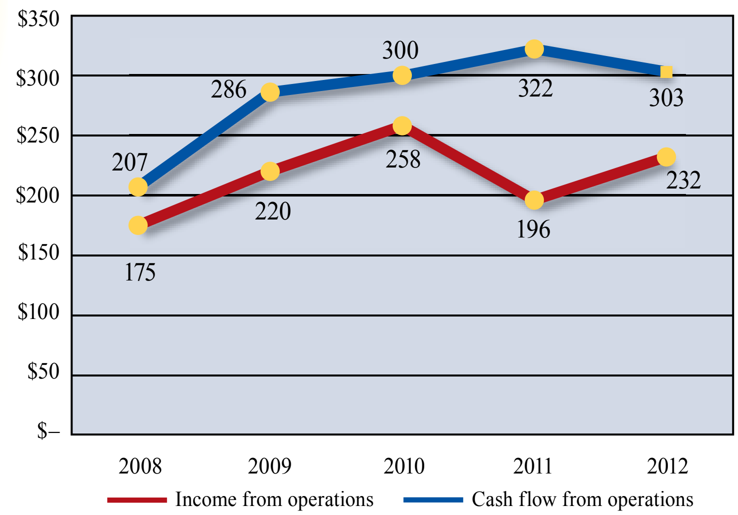


- Salaries and wages totaled $1.05 billion, a $19 million or 2% increase compared to fiscal 2011. This modest increase primarily reflects fiscal 2012 merit-based salary increases.
- Employee benefits totaled $241 million, a $9 million or 4% increase compared to fiscal 2011, reflecting rising health care and pharmacy costs.
- Depreciation and amortization expense of $184 million represented 8% of total operating expenses in fiscal 2012, virtually no increase compared to the prior year. Fiscal 2012 capital activity is covered in detail within the "Capital Spending and Debt" segment of this Discussion.
- Interest expense of $61 million represented 3% of total operating expenses, a decline of $21 million from the prior year. In May 2011, the University redeemed $500 million in taxable bonds, thereby eliminating $24 million of associated interest expense in fiscal 2012. Detail related to this transaction is provided in the "Capital Spending and Debt" segment of this Discussion.
- Other operating expenses declined $46 million, or 6%, compared to the prior year. The decline reflects a $56 million early redemption penalty associated with the taxable bond redemption in fiscal 2011 (the interest due on the taxable bonds, had they not been redeemed, would have been approximately $132 million through maturity). Absent this non-recurring transaction, other operating expenses would have increased approximately $10 million, or 1%, in fiscal 2012.

DUHS Operating Performance

As detailed in Note 2 to the consolidated financial statements, DUHS operates as a controlled affiliate of Duke and manages all of Duke's clinical health operations and facilities. The financial results and financial position of DUHS are consolidated into the financial statements of Duke under financial statement presentation requirements governing colleges and universities. This differs from financial statement presentation requirements governing health care organizations and used by DUHS in their separately issued financial statements. The fiscal 2012 net operating income of $232 million for DUHS represents an increase of $36 million, or 18%, compared to fiscal 2011.

DUHS Operating Income and Cash Flow ($ in millions)[1]



Total operating revenue for fiscal 2012 increased $195 million, or 9%, over the prior year. The increase includes the recognition of a recently amended Medicaid Disproportionate Share (DSH) Program in North Carolina. The amended DSH program increased DUHS operating revenue to $160 million in fiscal 2012, compared to the $35 million reported in fiscal 2011. Excluding DSH revenue, total operating revenue increased $70 million, or 3%. Surgical cases (inpatient and outpatient combined) increased 3%, endoscopy cases increased 3%, emergency department visits increased 2%, and outpatient visits increased 5%. These increases were moderated by a slight reduction in discharges reflecting the continuing shift toward outpatient care settings.

At the unit level, Duke Raleigh Hospital's utilization trends continue to highlight Duke's increasing presence in Wake County while Duke Hospital inpatient trends highlight the continued capacity constraints at the flagship facility.

In October 2010, the Duke Cancer Institute (DCI) was formed to consolidate Duke's clinical, education, and research activities related to cancer within a single administrative structure. Other revenue related to the DCI increased $9 million in fiscal 2012 compared

[1] Certain components of nonoperating income in the DUHS consolidated statement of operations are reclassified as operating income in Duke's consolidated statement of activities in order to conform to financial statement presentation generally followed by colleges and universities. Investment income represents the primary component with $4 million reclassified in fiscal 2012. DUHS reported operating income of $238 million for fiscal 2012 within the DUHS consolidated statement of operations. DUHS reported cash flow from operations of $302 million for fiscal 2012 within the DUHS consolidated statement of cash flows.

to the prior year, a portion of which is due to only nine months of activity reflected in fiscal 2011.

DUHS adopted new accounting guidance in fiscal 2012 requiring bad debt expense to be presented as a reduction of net patient service revenue. While bad debt expense increased 12% in fiscal 2012, total revenue deductions increased a more moderate 10%. This is consistent with revenue growth however pressure is increasing to provide increased amounts of uncompensated care to a growing self-pay population.

DUHS continues to provide care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because DUHS does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue or included in patient accounts receivable. In fiscal 2012, DUHS provided charity care with an estimated cost of $69 million, an increase of 7% over fiscal 2011. Total community benefit as defined by and reported to the Internal Revenue Service was $170 million in fiscal 2012 and, combined with an additional $120 million of community investments, DUHS provided $290 million of benefit to the community. This is down from $323 million in fiscal 2011, primarily due to the aforementioned amended Medicaid DSH Program in 2012.

Operating expenses increased $159 million, or 8%, in fiscal 2012 compared to the prior year. A significant portion, $64 million, is a charge assessed against DUHS hospitals as part of the aforementioned amended Medicaid DSH program. Excluding the DSH assessment, operating expenses increased 4% in fiscal 2012. Labor costs increased $53 million in fiscal 2012 primarily due to a 3% increase in employee head count to accommodate additional volume and prepare for the opening of new facilities discussed below. Other expense increases include a $13 million increase in physician expenses related to the DCI. Drug expenses increased $20 million, or 13%, in fiscal 2012 due to increased utilization and the use of newly developed drugs.

In February 2012, DUHS launched operations in the new Duke Cancer Center, which consolidates the ambulatory cancer care provided at Duke University Hospital in one facility. The building was designed to reduce the stress experienced by many cancer patients receiving repetitive, time consuming treatment while being a state-of-the-art medical facility. DUHS also looks forward to completing the Duke Medicine Pavilion, over 500,000 square feet of new clinical care space, projected to open in July 2013 and will provide state-of-the-art imaging facilities and critical care and surgery platforms, while easing space pressures in the existing facility. The completion of these projects positions DUHS well to service the growing regional and global populations.

DUHS embarked on a margin improvement initiative to increase operating income beginning in March 2008 and realized $105 million in sustainable annual savings through fiscal 2011. An additional $9 million of savings was realized in fiscal 2012. These ongoing savings support the investments DUHS is making in the new facilities described above to provide high quality patient care to the community.

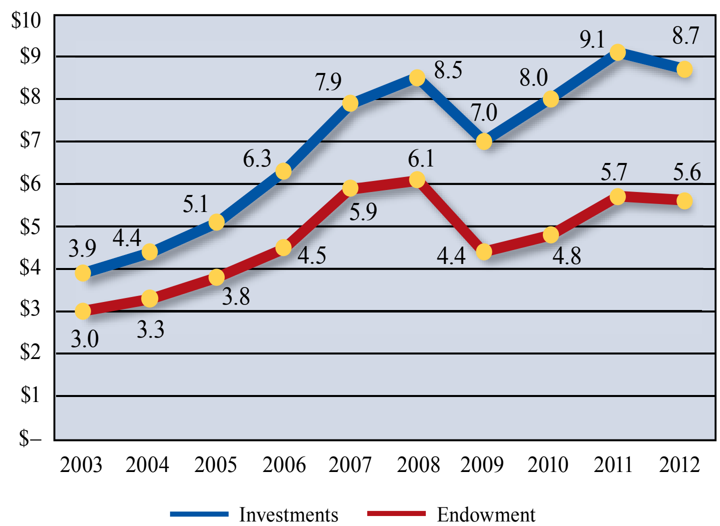
DUHS operating margins and positive cash flows from operating activities over the last seven (7) years, combined with returns on its invested reserves, allowed DUHS to make net academic support transfers of $520 million to the University during this time period, including a $280 million transfer to the School of Medicine in fiscal 2006. DUHS continued its history of providing annual support for University-based medical faculty research and education with net transfers to the University totalling $40 million in fiscal 2012.

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 Health System Pool (HSP). The HSP was established April 1, 2010 to provide additional liquidity to DUHS relative to its prior ownership interest in the LTP.

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



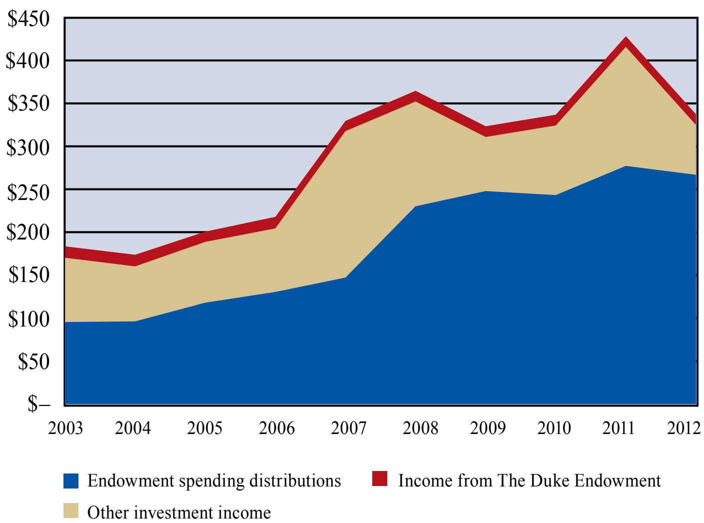
Duke's investments have grown significantly over the last ten (10) years and stand at approximately $8.7 billion as of June 30, 2012. Endowment and similar funds (including interests in perpetual trusts held by others), representing approximately $5.6 billion of this total, support the current and future operations of the schools, academic departments, libraries and other facilities, and student financial aid.

DUHS accounts for $2.2 billion of Duke's cash and investment portfolio, which primarily represents unrestricted working capital, reinvested operating surpluses, and associated appreciation.

Fiscal Year Returns					
	2008	2009	2010	2011	2012
LTP	6.2%	-24.3%	13.2%	24.5%	1.0%
HSP	N/A	N/A	13.1%	23.6%	-0.1%

For fiscal 2012, the LTP, in which 99% of the endowment is invested, returned 1.0%. DUMAC seeks to achieve an annualized real rate of return of at least 5.5% net of fees to fund the University's spending rate and to allow the growth of the endowment after considering the effects of inflation. The total return on the HSP, a more liquid fund managed for DUHS, was (0.1%) in 2012.

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



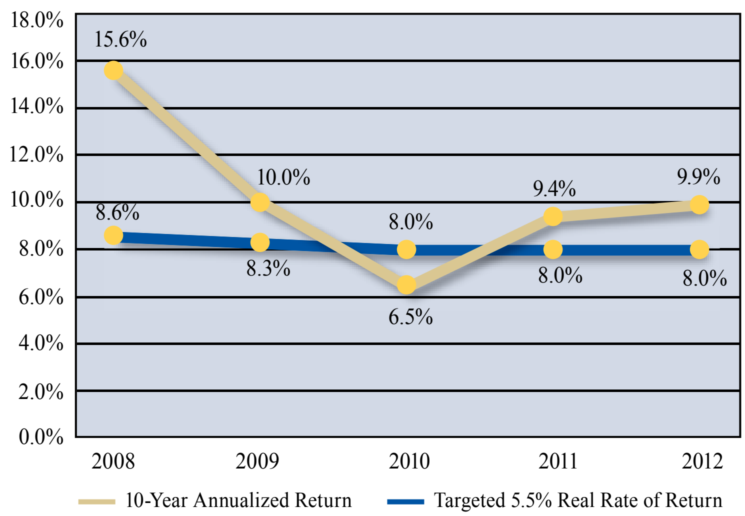
As Duke's investment base, including the endowment, has grown over the last ten (10) years, investment returns have become a larger contributor to the current operations of the University. Investment returns supporting operations, which include endowment spending, withdrawals from quasi-endowments, distributions from The Duke Endowment, and income from invested working capital, grew from $184 million in fiscal 2003 to $337 million in fiscal 2012, representing 14% and 15% of total University operating expenses, respectively.

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 spending rate is approved by the Board of Trustees and is currently set at a rate of 5.5% of the average of the LTP unit market value for the previous three (3) calendar year-ends, subject to a 10% maximum annual growth in per unit spending. A 5.75% rate is utilized for endowments and quasi-endowments that support financial aid. The approved per unit spending rate for both financial aid and non-financial aid endowments has been unchanged since fiscal 2010. The HSP is not subject to the University's spending policies.

In addition, the Board authorizes the use of supplemental endowment distributions from quasi endowments for special academic development initiatives and to support the operations and maintenance of certain facilities. These supplemental distributions have grown from $22 million in fiscal 2003 to a high of $74 million in fiscal 2011, due largely to two quasi endowments transferred from DUHS to the School of Medicine in 2006 to leverage annually for academic support. Supplemental distributions totalled $64 million in fiscal 2012.

Other investment income is another major component of investment returns supporting current operations. This income can vary significantly based on market returns and, as a result, has generated as much as $170 million of income in fiscal 2007 to a low of $56 million in fiscal 2012.

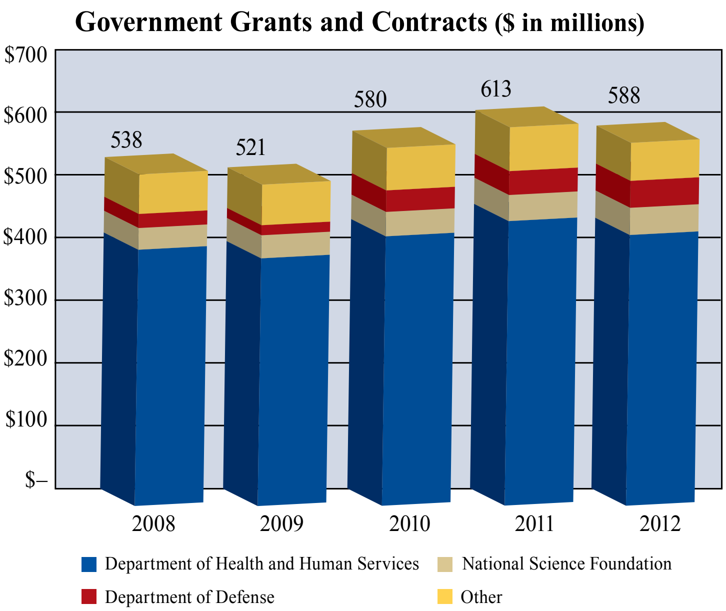
LTP Ten Year Annualized Investment Returns (%)



The positive spread between the 10-year annualized return and the targeted 5.5% real rate of return is expanding again after falling below that marker in fiscal 2010 as a result of negative returns experienced in fiscal 2009.

Sponsored Programs

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 Institute for Public Policy, and the Nicholas School of the Environment.



The United States government is the largest source of grant and contract funding for the University. Other external sources include state and local governments, industry, foundations, and private sources. Duke's government grant and contract funding grew 8% in the last five (5) years, and represented 28% of the University's total operating revenue in fiscal 2012.

In February 2009, the United States Congress passed the American Recovery and Reinvestment Act (ARRA), which included more than $15 billion in new scientific research funding. Duke has been awarded approximately $219 million in ARRA projects since April 2009. The majority of these awards are from the National Institutes of Health (NIH) and the National Science Foundation (NSF).

In fiscal 2012, total grant and contract revenue from government sources was $588 million, a 4% decline from the fiscal 2011 total. The decline primarily reflects the expiration of ARRA funding, which contributed $44 million in fiscal 2012 compared to $82 million in fiscal 2011. Non-ARRA revenue from federal sources increased slightly in fiscal 2012 compared to fiscal 2011.

Grant and contract revenue from private sources declined $6 million, or 1%, compared to fiscal 2011. This revenue consists primarily of industry and private awards in support of clinical research. The Duke Clinical Research Institute remains the world's largest academic clinical research organization, generating nearly 45% of Duke's revenue from these sources.

Philanthropy

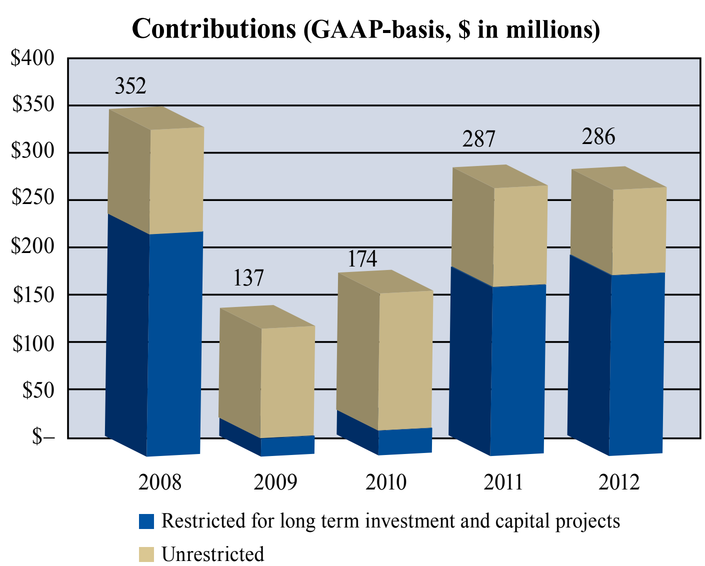
Contributions revenue reported within the consolidated financial statements is calculated based on generally accepted accounting principles (GAAP). This differs from philanthropic support reported by Duke according to the guidelines established by the Council for Advancement and Support of Education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

The generosity of over 105,000 donors in fiscal 2012 helped Duke remain at the forefront of academics, research, and patient care. Under CASE guidelines, philanthropic cash receipts totaled $351 million in 2012, just surpassing fiscal 2011 as the third highest total in Duke history.

On a GAAP-basis, the University recorded $286 million in contributions revenue, including pledges, during fiscal 2012, virtually the same as fiscal 2011, a major accomplishment given fiscal 2011 totals included Duke's largest single gift, $80 million from The Duke Endowment. Fiscal 2012 totals include several significant pledges and bequests to fund endowments (primarily financial aid) as well as gifts to renovate the Perkins Library.

In September 2012, Duke publicly announced *Duke Forward*, a seven year comprehensive fundraising campaign scheduled to run through June 30, 2017. The campaign raised more than $1.2 billion in gifts and pledges in the silent phase.

For details on the goals and priorities of the campaign and more news on major gifts, visit http://dukeforward.duke.edu.



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

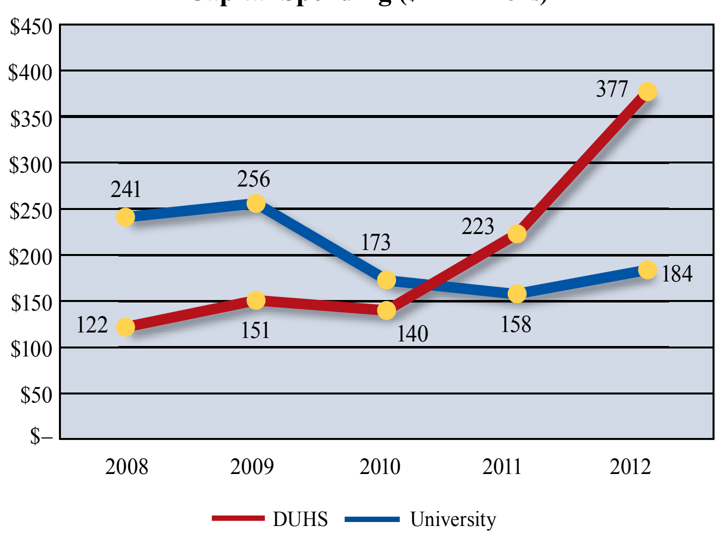
Cash gifts per CASE (cash basis)	$ 351
Amounts included in grants, contracts and similar agreements (gifts per CASE)	(109)
Grants and gifts from The Duke Endowment (gifts per CASE)	(13)
Net fiscal 2012 change in pledges[2]	57
Total consolidated contributions per GAAP statements	$ 286

Additional information on GAAP reporting of contributions revenue and contributions receivable is provided in Notes 1 (C) and 5 of the consolidated financial statements, respectively.

Capital Spending and Debt

Over the last decade, the University and DUHS have made significant net investments in land, buildings, and equipment. The University invested more than $1 billion, adding in excess of one million square feet of new or renovated living, teaching, and research space. DUHS, while owned and controlled by the University, operates under a different business model and has different budgetary considerations. DUHS has increased its net investment in property and equipment by more than $800 million since its creation in 1999. DUHS plans to spend $1.1 billion over the next five (5) years in order to meet strategic needs.

Capital Spending ($ in millions)



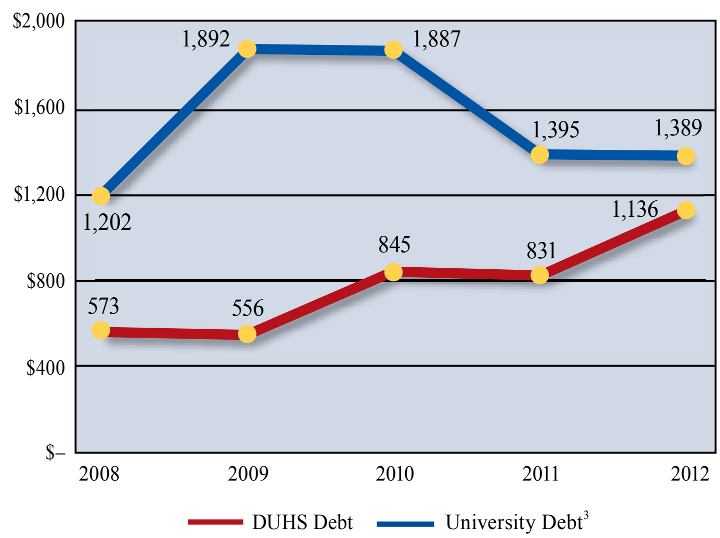
Major capital activity in 2012 for the University included the Trent Semans Center for Health Education (TSHE), the Pascal Field House, and an extensive renovation project of the West Campus steam plant. TSHE, largely funded by The Duke Endowment and named in honor of Mary Duke Biddle Trent Semans, is scheduled for completion in December 2012. This facility will consolidate and integrate existing programs in a new, innovative education facility, strategically located adjacent to both the Duke Medicine Pavilion and the Cancer Center. The Pascal Field House, named after its largest donor, was completed in September 2011. The Field House is a multi-purpose recreational field that serves as an indoor practice facility for football, as well as intramural and recreational groups on campus. The West Campus steam plant renovation and upgrade is scheduled for completion in December 2012. This project enabled Duke to cease burning coal on campus on April 14, 2011, helping reduce the University's overall carbon footprint as part of the Climate Action Plan.

Significant capital spending in fiscal 2012 at DUHS included the Cancer Center and the Duke Medicine Pavilion (discussed in the DUHS operating performance segment of this Discussion) as well as trailing projects to renovate existing facilities that are vacated as the new facilities come on line.

Also included in the DUHS capital plan is a significant investment in information technology. DUHS is converting substantially all of its clinical information systems to a single unified platform. This investment will yield improvements in clinical workflows and documentation, patient care and satisfaction, compliance with recent health care technology regulations, and system integration. The first step in a staged go live schedule was taken in July 2012. By July 2014, DUHS expects to have converted virtually all facilities and operations to the unified system.

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 Duke to execute its strategic plans for facilities while preserving working capital. The University and DUHS hold ratings of Aa1 and Aa2 with Moody's and AA+ and AA with Standard & Poor's, respectively.

Outstanding Debt ($ in millions)



[2] Includes changes to previously reported multi-year pledges, pledges receivable due to new multi-year commitments, and other fiscal 2012 adjustments.

[3] June 2009 and 2010 include $500 million of taxable debt issued in fiscal 2009. This debt was retired in May 2011.

In fiscal 2012, DUHS issued 2012A tax-exempt, fixed rate bonds in the par amount of $300 million to provide additional financing for the Duke Medicine Pavilion. DUHS also converted the majority of its variable rate demand bonds to direct bank purchases with durations ranging from 7 years to the original maturity of the bonds. This adds stability to the portfolio and reduces DUHS's exposure to certain bank credit risks.

With the addition of the 2012A fixed rate bonds, DUHS indebtedness (excluding a $128 million capital lease for Durham Regional Hospital) totaled $1.1 billion as of June 30, 2012.

Looking Ahead

In fiscal 2013, the administration's focus will remain on operating effectively and efficiently in order to protect Duke's current financial health and commitment to our most important priorities. These include:

- Investments in areas of strategic need and opportunity, including student financial aid, international initiatives, and online education.
- Key faculty chair and recruitments to promote growth in research endeavors despite challenges related to the federal budget.
- Planning for necessary capital renovation and replacement, as dorms and other facilities age and require enhancements to remain functional.
- Continued focus on administrative reform, leveraging new technologies and process redesign to optimize academic and administrative support costs.
- Continued technology investments within DUHS to enhance care delivery and address new industry standards.

The administration will continue to proactively address financial and other challenges by operating with a strong sense of fiscal responsibility and prudent, thoughtful decision making, while directing Duke's resources to areas of highest priority and need.

KPMG LLP
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Greensboro, NC 27401

Independent Auditors' Report

The Board of Trustees of Duke University:

We have audited the accompanying consolidated balance sheet of Duke University (Duke) as of June 30, 2012, and the related consolidated statements of activities and cash flows for the year then ended. These consolidated financial statements are the responsibility of Duke's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit. The prior year summarized comparative information has been derived from Duke's 2011 consolidated financial statements and, in our report dated September 27, 2011, we expressed an unqualified opinion on those consolidated financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Duke's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Duke University as of June 30, 2012, and the changes in its net assets and its cash flows for the year then ended in conformity with U.S. generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements of Duke University taken 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 basic 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 basic 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 auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic consolidated financial statements taken as a whole. The supplementary information included in The Growth of Duke schedule is presented for purposes of additional analysis and is not a required part of the basic consolidated financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

October 2, 2012

Consolidated Balance Sheet

JUNE 30, 2012
(WITH COMPARATIVE FINANCIAL INFORMATION FOR JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
Assets:		
Cash and cash equivalents	$ 526,160	$ 324,174
Patient receivables, net	287,120	279,777
Other receivables, net	266,053	253,910
Prepaid expenses, deferred charges, and inventories	143,880	324,049
Contributions receivable, net	315,645	278,720
Student loans receivable, net	40,743	41,473
Investments	8,733,388	9,117,194
Deposits with bond trustees	230,282	92,261
Land, buildings, and equipment, net	2,979,525	2,698,715
Interests in perpetual trusts held by others	647,713	684,341
Other assets	643	1,394
Total assets	$ 14,171,152	$ 14,096,008
Liabilities:		
Accounts payable	$ 402,050	$ 365,645
Accrued payrolls and employee withholdings	267,345	268,899
Deferred revenues and deposits	169,908	197,065
Notes and bonds payable	2,652,451	2,353,664
Annuity and other split-interest obligations	42,888	38,637
Accrued postretirement/postemployment and other benefit obligations	497,194	296,345
Other liabilities	335,951	264,405
Total liabilities	4,367,787	3,784,660
Net Assets:		
Unrestricted:		
Net assets controlled by Duke	5,089,219	5,533,449
Net assets related to noncontrolling interests	363,147	376,736
Total unrestricted net assets	5,452,366	5,910,185
Temporarily restricted	2,027,612	2,177,722
Permanently restricted	2,323,387	2,223,441
Total net assets	9,803,365	10,311,348
Total liabilities and net assets	$ 14,171,152	$ 14,096,008

See accompanying notes to consolidated financial statements.

Duke UNIVERSITY

Consolidated Statement of Activities

YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2012 Total	2011 Total
Operating revenues:					
Tuition and fees	$ 610,744	$ …	$ …	$ 610,744	$ 572,719
Less student aid	(237,821)	…	…	(237,821)	(216,405)
	372,923	…	…	372,923	356,314
Grants, contracts and similar agreements:					
Government sources	589,013	…	…	589,013	613,322
The Private Diagnostic Clinic, PLLC	99,847	…	…	99,847	100,557
Other	374,572	…	…	374,572	371,633
	1,063,432	…	…	1,063,432	1,085,512
Contributions	88,189	…	…	88,189	102,839
Investment return designated for current operations:					
The Duke Endowment	12,500	…	…	12,500	12,500
Endowment spending	269,582	…	…	269,582	280,011
Other investment income	65,012	…	…	65,012	146,766
Auxiliary enterprises	170,312	…	…	170,312	164,540
Net patient service revenue	2,329,696	…	…	2,329,696	2,139,666
Other	202,439	…	…	202,439	296,996
Net assets released from restrictions	37,839	…	…	37,839	26,622
Total operating revenues	4,611,924	…	…	4,611,924	4,611,766
Operating expenses:					
Salaries and wages	1,973,818	…	…	1,973,818	1,916,436
Employee benefits	461,198	…	…	461,198	437,690
Net postretirement/postemployment benefit expense	4,816	…	…	4,816	6,398
Student aid	34,971	…	…	34,971	33,693
Other operating expenses	1,634,493	…	…	1,634,493	1,577,701
Interest expense	97,166	…	…	97,166	116,826
Depreciation and amortization	279,130	…	…	279,130	275,527
Total operating expenses	4,485,592	…	…	4,485,592	4,364,271
Excess of operating revenues over operating expenses	126,332	…	…	126,332	247,495
Nonoperating activities:					
Restricted contributions	…	64,787	138,496	203,283	184,408
Net assets released from restriction	13,621	(51,460)	…	(37,839)	(26,622)
Investment return (less than) in excess of amounts designated for current operations	(149,609)	(136,270)	13,673	(272,206)	1,272,102
Nonperiodic changes in defined benefit plans	(381,925)	…	…	(381,925)	189,738
(Losses) gains on perpetual trusts held by others and changes in split-interest obligations	…	(203)	(40,890)	(41,093)	111,608
Other, net	(52,649)	(26,964)	(11,333)	(90,946)	(25,672)
Change in net assets from nonoperating activities	(570,562)	(150,110)	99,946	(620,726)	1,705,562
Change in net assets attributable to Duke	(444,230)	(150,110)	99,946	(494,394)	1,953,057
Change in net assets related to noncontrolling interests	(13,589)	…	…	(13,589)	111,838
Change in total net assets	(457,819)	(150,110)	99,946	(507,983)	2,064,895
Net assets at beginning of year	5,910,185	2,177,722	2,223,441	10,311,348	8,246,453
Net assets at end of year	$5,452,366	$2,027,612	$2,323,387	$9,803,365	$10,311,348

See accompanying notes to consolidated financial statements.

Consolidated Statement of Cash Flows

YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (507,983)	$ 2,064,895
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Change in net assets related to noncontrolling interests, net	13,589	(111,838)
Depreciation and amortization	279,130	275,527
Nonperiodic changes in defined benefit plans	381,925	(189,738)
Provision for bad debt	118,351	74,169
Change in fair value of derivative instruments	55,188	(23,002)
Loss on disposals of land, buildings, and equipment	2,829	8,176
Contributions of property	(418)	(1,765)
Restricted contributions received for long-term investment and capital projects	(166,358)	(78,881)
Permanently restricted investment return	(13,673)	(22,050)
Permanently restricted losses (returns) on other nonoperating items	9,203	(3,436)
Net realized and unrealized losses (gains) on investments	4,904	(1,616,663)
Losses (gains) on interests in perpetual trusts and split-interest obligations	41,093	(111,608)
Change in:		
Patient receivables, net	(90,319)	(81,445)
Other receivables, net	(11,392)	(46,479)
Prepaid expenses, deferred charges and inventories	(170,595)	(19,798)
Contributions receivable, net	(72,300)	(36,650)
Accounts payable	36,405	14,997
Accrued payrolls and employee withholdings	(1,554)	21,013
Deferred revenues and deposits	(27,157)	2,138
Annuity and other split-interest obligations	(214)	91
Accrued postretirement/postemployment and other benefit obligations	168,375	32,555
Other liabilities	16,358	46,714
Net cash provided by operating activities	65,387	196,922

Consolidated Statement of Cash Flows (CONTINUED)

	2012	2011
Cash flows from investing activities:		
Purchases of investments	(11,687,768)	(12,589,154)
Proceeds from sales and maturities of investments	12,056,312	13,163,911
Purchases of land, buildings, and equipment	(561,310)	(380,703)
Proceeds from disposals of land, buildings, and equipment	289	164
Disbursements for loans to students	(6,251)	(6,796)
Repayments of loans by students	6,981	7,949
(Increase) decrease in deposits with bond trustees	(138,021)	155,822
Net cash (used in) provided by investing activities	(329,768)	351,193
Cash flows from financing activities:		
Restricted contributions received for long-term investment and capital projects	166,358	78,881
Permanently restricted investment return	13,673	22,050
Permanently restricted (losses) returns on other nonoperating items	(9,203)	3,436
Principal payments on notes and bonds payable	(495,939)	(519,590)
Proceeds from borrowings	794,709	13,323
Payments to noncontrolling interests	(12,726)	(11,270)
Proceeds from noncontrolling interests	9,495	64,085
Net cash provided by (used in) financing activities	466,367	(349,085)
Net change in cash and cash equivalents	201,986	199,030
Cash and cash equivalents at beginning of year	324,174	125,144
Cash and cash equivalents at end of year	$ 526,160	$ 324,174
Supplemental disclosure of cash flow information:		
Cash paid for interest (net of amounts capitalized)	$ 96,174	$ 121,642

See accompanying notes to consolidated financial statements.

Notes to Consolidated Financial Statements

(DOLLARS IN THOUSANDS)

Overview of Duke University

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

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 is a North Carolina nonprofit corporation, organized and controlled by Duke, operating health care facilities including Duke University Hospital, Durham Regional Hospital, Duke Raleigh Hospital, and related health care clinics (see Note 2).

1. Summary of Significant Accounting Policies

A. BASIS OF PRESENTATION

The consolidated financial statements include the University, DUHS and all affiliates of DUHS, and all other entities in which Duke has a significant financial interest and control. All significant intercompany balances and transactions have been eliminated in consolidation. The consolidated financial statements have, in all material respects, been prepared on the accrual basis in conformity with U.S. generally accepted accounting principles (GAAP).

Net assets and revenues, gains and losses are classified based on the existence or absence of externally imposed restrictions. Accordingly, net assets of Duke are classified and reported as follows:

Permanently restricted – Net assets subject to externally imposed restrictions that require they be maintained permanently by Duke. Generally, the donors of these assets permit Duke to use all or part of the income earned on related investments for general or specific purposes. Donor-restricted endowments include endowments for instruction, research, and student aid, as well as charitable remainder funds that will ultimately be used to establish a permanent endowment.

Temporarily restricted – Net assets subject to externally imposed restrictions that will be met either by actions of Duke and/or the passage of time.

Unrestricted – Net assets not subject to externally imposed restrictions. Certain net assets classified as unrestricted are designated for specific purposes or uses under various internal operating and administrative arrangements of Duke.

Operating revenues and expenses in the consolidated statement of activities reflect all transactions that change unrestricted net assets, except for realized and unrealized gains and losses on investments in excess of or less than amounts appropriated for expenditure, nonperiodic changes in defined benefit plans, changes in the fair value of derivative financial instruments, and certain non-recurring items.

Revenues from sources other than restricted contributions, certain investment returns, changes in fair value of interests in perpetual trusts held by others, and changes in split-interest obligations are reported as increases in unrestricted net assets. Contributions are reported as increases in the appropriate classification of net assets. Contributions which impose restrictions that are met in the same fiscal year they are received are reported as increases in unrestricted net assets.

Gains and losses on investments are generally reported as increases or decreases in temporarily restricted net assets when either time restricted or restricted by explicit external stipulations. However, when such losses result in the market value of a donor-restricted endowment fund declining below the related historic dollar value, the difference between the market and historic dollar values is reflected within unrestricted net assets. Gains and losses on perpetual trusts held by others are reported as increases or decreases in permanently restricted net assets.

Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the externally stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets in the consolidated statement of activities.

B. CASH AND CASH EQUIVALENTS

Cash equivalents include certain assets invested in the Short Term Account (STA), which Duke utilizes to fund daily cash needs. The STA currently invests in short-term U.S. Treasury securities, other short-term, highly-liquid investments, and certain fixed income securities, all of which can be liquidated within thirty (30) days. The investments held in the STA maintain a weighted average quality rating of AA, AA equivalent, or better, as measured by Moody's, Standard and Poor's, and Fitch rating agencies. The STA is expected to generate a return approximating the three-month U.S. Treasury bill rate. Cash and cash equivalents that are part of the University's Long Term Pool (LTP) or the Health System Pool (HSP) are reported within investments, as these funds are not used for operating needs.

C. CONTRIBUTIONS

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions restricted for capital projects and permanent or term endowment funds as well as other contributions which impose restrictions that are not met in the same fiscal year as received are reported as nonoperating revenue. All other contributions are reported as operating revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed in service. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a risk adjusted rate that could have been obtained at the date of the gift, adjusted based on an analysis of market data for comparable assets. Amortization of the discount is recorded as additional contribution revenue. Allowance is made for uncollectible contributions receivable based upon the administration's judgment and analysis of past collection experience and other relevant factors.

D. NET PATIENT SERVICE REVENUE (NET OF CONTRACTUAL ALLOWANCES, DISCOUNTS AND BAD DEBT EXPENSE)

DUHS recognizes revenue in the period in which services are rendered. DUHS has agreements with third-party payors that provide for payments to DUHS at amounts that are generally less than its established rates. Payment arrangements include prospectively determined rates per discharge, reimbursed costs, discounted charges and per diem payments. Accordingly, net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as changes to estimates become known and tentative and final settlement adjustments are identified. DUHS patient accounts receivable are reported net of allowances for contractual adjustments and uncollectible accounts of $485,358 and $453,717 at June 30, 2012 and 2011, respectively. DUHS receives supplemental Medicaid payments from the State of North Carolina through a federally approved disproportionate share program (Medicaid DSH). On March 26, 2012, the federal government approved an amendment to the Medicaid DSH plan that provides a new funding model which employs assessments to all hospitals as a percent of their costs to serve as the source of state funds. The corresponding federal funds received are distributed similarly to the previous plan in a manner designed to mitigate declines in payments to private hospitals under the previous plan. The amendment was effective January 1, 2011. Supplemental Medicaid payments were recognized in income when earned if reasonably estimable and deemed collectible. Amounts recognized in net patient service revenue related to the year ended June 30, 2012 (fiscal 2012) and the year ended June 30, 2011 (fiscal 2011) were $159,811 and $35,160, respectively. The hospital Medicaid assessment payments recorded in other operating expenses were $64,047 for fiscal 2012. There can be no assurance that DUHS will continue to qualify for future participation in this program or that the program will not be discontinued or materially modified.

DUHS recognizes patient service revenue associated with services provided to patients who have third-party coverage on the basis of contractual rates for the services rendered. For uninsured patients who do not qualify for charity care, DUHS recognizes revenue on the basis of its discounted rates. Uninsured patients receive a discount from billed charges (excluding cosmetic services). On the basis of historical experience, a significant portion of DUHS's uninsured patients will be unable or unwilling to pay for the services provided. Thus, DUHS records a significant provision for bad debts related to uninsured patients in the period the services are provided. Bad debt expense of $82,976 and $74,169 is reflected as a reduction in patient service revenue for the years ended June 30, 2012 and 2011, respectively.

In 2010, the Patient Protection and Affordable Care Act and the Health Care and Education Reconciliation Act (collectively, the Health Care Acts) were signed into law. The impact of the Health Care Acts is complicated and difficult to predict, but it is anticipated that DUHS's reimbursement in the future will by affected by three (3) major elements of the Health Care Acts designed to (1) increase insurance coverage, (2) change provider and payor behavior, and (3) encourage alternative delivery models. Many variables remain unknown until implementation by federal and state governments and reactions by providers, payors, employers, and individuals. DUHS continues to monitor developments in healthcare reform and participates actively in contemplating and designing new programs that are required by the Health Care Acts.

The Health Information Technology for Economic and Clinical Health (HITECH) Act that was enacted as part of the American Recovery and Reinvestment Act of 2009 was signed into law in February 2009. In the context of the HITECH Act, DUHS must implement a certified Electronic Health Record (EHR) in an effort to promote the adoption and "meaningful use" of health information technology (HIT). The HITECH Act includes significant monetary incentives and payment penalties meant to encourage the adoption of EHR technology. DUHS began the full enterprise wide EHR system implementation in fiscal 2012. It is anticipated that the implementation of a unified EHR will move DUHS into compliance with the Meaningful Use objectives mandated in the HITECH legislation.

E. INVENTORIES

Inventories are included in prepaid expenses, deferred charges, and inventories on the consolidated balance sheet, and primarily include drugs and supplies. Inventories are valued at the lower of average cost or fair value.

F. FAIR VALUE MEASUREMENTS

The carrying amounts of cash and cash equivalents, patient receivables, and other receivables approximate fair value because of the terms and relatively short maturity of these financial instruments. Investments, deposits with bond trustees, certain prepaid items, derivatives, and interests in perpetual trusts held by others are reported at fair value as of the date of the consolidated financial statements. The carrying amount of student loans receivable under Duke loan programs approximates fair value due to the rates and the relative short-term nature of the loans.

The carrying amounts of accounts payable, accrued payroll and employee withholdings, and related accruals approximate fair value because of the relatively short maturity of these financial obligations. The carrying amount of notes and bonds payable with variable interest rates approximates fair value because the variable rates reflect current market rates for bonds with similar maturities and credit quality. The fair value of notes and bonds payable with fixed interest rates is based on rates assumed to be currently available for bond issues with similar terms and average maturities. The estimated fair value and carrying amount of these fixed rate bonds payable at June 30, 2012 approximated $1,963,852 and $1,759,760, respectively. The estimated fair value and carrying amount of these fixed rate bonds payable at June 30, 2011 approximated $1,527,519 and $1,495,065, respectively. The carrying amount of annuity and other split-interest obligations approximates fair value because these instruments are recorded at estimated net present value of future cash flows.

The fair value hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level

3 measurements). The three levels of the fair value hierarchy are as follows:

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

Level 2 – Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3 – Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements.

G. INVESTMENTS

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

Valuation

As of June 30, 2012 and 2011, Duke's investments classified as Level 2 or 3 include $5.8 billion and $5.9 billion, respectively, of investments in funds that report a net asset value ("NAV") or its equivalent. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, Duke has applied a practical expedient and concluded that the NAV approximates fair value.

While Duke's investment in these funds is classified as Level 2 or 3, the underlying investments of the fund may be classified as Level 1 in the fund itself. The classification of an investment within the hierarchy is based upon the pricing transparency or ability to redeem the investment and does not necessarily correspond to the perceived risk of that investment. The management of the funds and Duke use inputs in applying various valuation techniques that are assumptions which market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Investments made directly by Duke whose values are based on quoted market prices in active markets, and are therefore classified within Level 1, include actively traded common and preferred stock, U.S. government fixed income instruments, and non-U.S. government fixed income instruments. Level 1 investments also include futures contracts, listed mutual funds, exchange traded funds (ETFs), and money market funds.

Investments that trade in markets that are considered to be active, but are based on dealer quotations or alternative pricing sources supported by observable inputs or investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs are classified within Level 2. Alternative pricing sources include quotations from market participants and pricing models that are based on accepted industry modeling techniques. These investments include U.S. investment-grade and below investment-grade debt securities, international corporate bonds, mortgage-backed securities, asset-backed securities, senior loans and bank loans, most derivative contracts other than futures, and commingled fund investments that would otherwise be classified within Level 3 but for which Duke had the ability to redeem at NAV on or within three (3) months after the balance sheet date.

Certain investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all. Level 3 investments also include limited partnerships, private placement investments, and commingled fund investments not redeemable within three (3) months of the balance sheet date. Inputs used may include the original transaction price, recent transactions in the same or similar market, completed or pending third-party transactions in the underlying investment of comparable issuers, and subsequent rounds of financing. When observable prices are not available these investments are valued using one or more valuation techniques described below.

- Market Approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income Approach: This approach determines a valuation by discounting future cash flows.
- Cost Approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, it is not active and individual transactions are typically not observable. When transactions do occur in this limited secondary market, they may occur at discounts to the reported NAV.

Risks

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

Because Duke invests in alternative investments, which can be highly illiquid, there is a possibility that Duke may not be able to rapidly adjust its portfolio holdings in times of high volatility and financial stress at a reasonable price. If Duke was forced to dispose of an illiquid investment, it might be difficult to sell the investment and Duke might have to accept a significant discount to fair value.

Duke holds investments denominated in currencies other than the U.S. dollar. Thus there is exposure to currency risk because the value of the investments denominated in other currencies may fluctuate due to changes in currency exchange rates. This can have an adverse effect on the reported value of assets and liabilities denominated in currencies other than the U.S. dollar.

Duke's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolios are also subject to the risk where the issuer of a security is not able to pay interest or repay principal when it is due.

The fair value of investments held by Duke may decline in response to certain economic events, including (but may not be limited to) economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. Duke attempts to manage this risk 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.

Investment Pools

Duke utilizes pools known as the LTP and 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 sheet.

Duke controls a pooled investment vehicle in which The Duke Endowment and the ERP have noncontrolling interests. Certain noncontrolling interests related to a pooled investment vehicle are consolidated in the accompanying financial statements. As of June 30, 2012 and 2011, $363,147 and 376,736, respectively, related to noncontrolling interests, are included within investments on the consolidated balance sheet. During fiscal 2012 and fiscal 2011, the noncontrolling interests contributed $9,495 and $64,085, respectively. Additionally, Duke made payments of $12,726 and $11,270 to the noncontrolling interests. For the years ended June 30, 2012 and 2011, investment (losses) returns related to the noncontrolling interests were ($10,358) and $59,023, respectively. These amounts are included within investments and net assets related to noncontrolling interests on the consolidated balance sheet (see Note 7).

Reporting

All permanently restricted endowment net assets, long-term net assets functioning as an endowment, and invested departmental working capital are managed in the LTP or HSP, unless special considerations or donor stipulations require that they be held separately. Income and realized gains and losses on investments of working capital are reported as investment return included in operating revenues. Any excess of income and realized and unrealized gains earned on investments above the spending rate, including split-interest agreements, are reported as nonoperating revenues.

Derivatives

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

H. ENDOWMENT

Duke's endowment consists of over 4,000 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

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, a predetermined endowment spending rate consistent with Duke's total return objective has been established and approved by the Board. Should endowment yields prove to be insufficient to support this policy, the balance is provided from accumulated capital gains. Should endowment yields exceed the amounts necessary to attain this objective, the balance is reinvested in the endowment. The endowment spending rate per unit is calculated at 5.5% of the average of the LTP unit market value for the previous three (3) calendar year ends for non-financial aid endowments, and 5.75% for financial aid endowments; subject to a 10.0% maximum annual growth in per-unit spending.

The Board approved per unit spending rate has been unchanged since fiscal 2010 for both financial aid and non-financial aid endowments. For fiscal 2012, the effective spending rate per unit as a percentage of the beginning of year market value was 5.9% for financial aid endowments and 4.6% for non-financial aid endowments. The effective spending rate was 6.8% for financial aid endowments and 5.4% for non-financial aid endowments in fiscal 2011.

Income and realized gains and losses used for the annual distribution under the spending policy described above are reported as investment return included in operating revenues. Income and realized gains and losses on nonpooled endowment funds, any excess (deficiency) of income and realized gains earned over the distributed amount for pooled endowment funds, and unrealized gains and losses on endowment funds, are reported as nonoperating activities.

Additionally, the Board authorized the use of specific amounts of previously reinvested income, capital gains, and principal related to unrestricted funds functioning as endowment for special academic development initiatives and to support the operations and maintenance of certain facilities. The endowment distributions reported in the consolidated statements of activities include supplemental endowment distributions totaling $64,623 and $74,473 in fiscal 2012 and fiscal 2011, respectively.

Return Objectives and Risk Parameters

Duke has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period, as well as Board designated funds. Under this policy, as approved by the Board, the 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 Russell 3000 and 30% of the Barclays Capital Aggregate Bond Index. Duke expects its endowment funds, over long time periods, to provide an average annual real rate of return of approximately 5.5%. Actual returns in any given year may vary from this amount.

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 therefore classifies as permanently restricted net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Appreciation on donor-restricted endowment funds is classified as temporarily restricted net assets 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 endowment spending rate per unit and the number of units for each fund. The spending rate is approved by the Board as part of Duke's operating budget.

Funds with Deficiencies

From time to time, the fair value of assets associated with a permanently restricted fund may fall below the fund's original value. Deficiencies of this nature are reported in unrestricted net assets, and totaled $5,548 and $1,890 as of June 30, 2012 and 2011, respectively. Subsequent gains that restore the fair value of such funds to the required level will be classified as an increase in unrestricted net assets within the nonoperating activities section of the consolidated statement of activities. As of June 30, 2012 and 2011, the amount of deficiencies that related to donor-restricted endowment funds, excluding charitable remainder funds, was $3,158 and $212, respectively (see Note 11).

I. DEPOSITS WITH BOND TRUSTEES

Deposits with bond trustees consist of debt service funds and the unexpended proceeds of certain bonds payable. These funds are invested in short-term, highly liquid securities and the unexpended proceeds will be used for construction of certain facilities or payment of debt service.

J. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment are stated at cost at date of acquisition or fair value at date of donation. Property and equipment under capital leases are initially valued and recorded based on the present value of minimum lease payments. Depreciation is calculated on the straight-line basis over the assets' estimated useful lives, except for leasehold improvements and property and equipment held under capital leases, which are amortized over the shorter of the expected useful life of the asset or term of the related lease. 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 not calculated on land, art collections, rare books, and construction in progress.

K. INTERESTS IN PERPETUAL TRUSTS HELD BY OTHERS

The University is the beneficiary of certain perpetual trusts held and administered by outside trustees, including The Duke Endowment (see Note 4). 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. The related net assets are classified as permanently restricted. Income distributions from these trusts are recorded as investment return designated for current operations.

L. SPLIT-INTEREST AGREEMENTS

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.

M. INSURANCE

Insurance liabilities are recorded based upon the claim reserves considering historical claims experience, demographic factors, severity factors, expected trend rates, and other actuarial assumptions. To mitigate a portion of its insurance risks, Duke maintains insurance for individual claims exceeding certain self-insured dollar limits. Provisions for estimated losses in excess of insurance limits are provided at the time such determinations are made. The reserves associated with the exposure to these liabilities, as well as the methods used in such evaluations, are reviewed by the administration for adequacy at the end of each reporting period and any adjustments are reflected in operating expenses.

N. REFUNDABLE FEDERAL STUDENT LOANS

Funds provided by the United States Government (U.S. Government) under the Federal Perkins, Nursing, and Health Professions Student Loan programs are loaned to qualified students and may be reloaned after collection. These funds are ultimately refundable to the U.S. Government. The related balances of $34,288 and $34,538 at June 30, 2012 and 2011, respectively, are included in other liabilities on the consolidated balance sheet.

O. TUITION AND FEES

Student tuition and fees are recorded 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 gross tuition and fee revenue. Student aid does not include payments made to students for services rendered to Duke.

P. SPONSORED RESEARCH

Research grants and contracts normally provide for the recovery of direct and facilities and administrative costs, subject to adjustment based upon review by the granting agencies. Duke recognizes grant and contract revenue as the related direct costs are incurred. The recovery of facilities and administrative costs is recognized based on predetermined rates negotiated with the U.S. Government through the year ending June 30, 2013 (fiscal 2013). Facilities and administrative cost recovery revenue for the academic and support divisions of Duke were $185,943 and $191,839 in fiscal 2012 and fiscal 2011, respectively.

Q. AUXILIARY ENTERPRISES

Auxiliary enterprises, including residence halls, food services, retail stores, and telecommunications, furnish services to students, faculty, and staff. Fee charges are directly related to the costs of services rendered.

R. INCOME TAXES

Duke is a tax-exempt organization 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. Accordingly, no provision for income taxes is made in the consolidated financial statements. As of June 30, 2012, there were no material uncertain tax positions.

S. NEW ACCOUNTING PRONOUNCEMENTS

In July 2011, the FASB issued ASU 2011-07, *Health Care Entities: Presentation and Disclosure of Patient Service Revenue, Provision for Bad Debts, and the Allowance for Doubtful Accounts for Certain Health Care Entities*. This ASU changed Duke's presentation of provision for bad debts in the consolidated statement of activities from operating expenses to a deduction from net patient service revenue. Duke adopted ASU 2011-07 on July 1, 2011 and for consistency purposes, reclassified the prior year amounts (see Note 1(D)).

T. PRIOR YEAR SUMMARIZED FINANCIAL INFORMATION

The consolidated financial statements include certain prior year summarized comparative information that does not include sufficient detail to constitute a full presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with Duke's consolidated financial statements for fiscal 2011 from which the summarized information was derived.

U. 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.

Significant items in Duke's consolidated financial statements subject to such estimates and assumptions include valuations for certain investments without readily determinable fair values, allowances for uncollectible accounts receivable and contractual adjustments, reserves for employee healthcare and workers' compensation claims, accrued professional and general liability costs, estimated third-party settlements, and actuarially determined benefit liabilities related to Duke's pension and other postretirement benefit plans.

V. RECLASSIFICATIONS

Certain June 30, 2011 amounts have been reclassified to conform with changes in classifications adopted in fiscal 2012.

2. Principles of Consolidation

The financial position and results of operations of DUHS and all other entities in which Duke has a significant financial interest are included in the consolidated financial statements herein using presentation generally followed by colleges and universities. All significant intercompany balances and transactions have been eliminated in consolidation.

DUHS consists of:

- **Duke University Hospital** – a quaternary care teaching hospital located on the campus of Duke in Durham, North Carolina, licensed for 957 acute care and specialty beds, leased from Duke, operated by DUHS, providing patient care and serving as a site for medical education provided by the Duke University School of Medicine (School of Medicine), and clinical research conducted by the School of Medicine.
- **Durham Regional Hospital** – a full-service community hospital located in Durham, North Carolina, licensed for 369 acute care beds, leased from Durham County, and operated by DUHS under agreements with concurrent terms of forty (40) years.
- **Duke Raleigh Hospital** – a community hospital located in Raleigh, North Carolina, licensed for 186 acute care beds, leased from Duke, operated by DUHS, and providing patient care.
- **Duke HomeCare & Hospice (DHCH)** – an unincorporated division of the Health System having its principal offices in Durham, North Carolina and consisting of:
  - **Duke Home Infusion**, a full-range home infusion therapy program serving three (3) states that provides administration of intravenous medications in patients' homes.
  - **Duke Hospice**, providing hospice services in homes and long-term care facilities in nine (9) counties in central North Carolina, a six (6) bed inpatient facility in Hillsborough, North Carolina, a twelve (12) bed inpatient facility in Durham, North Carolina and offering a full range of bereavement services, including critical incident debriefings, to persons of all ages in central North Carolina who have suffered a loss due to death.
  - **Duke Home Health**, providing nursing, wound care, rehabilitation, and home health aide services in patients' homes in central North Carolina.
- **Associated Health Services, Inc. (AHS)** – a North Carolina nonprofit corporation that operates an outpatient surgery facility located in Durham, North Carolina, licensed for eight (8) operating rooms, doing business as James E. Davis Ambulatory Surgical Center. During the term of the lease of Durham Regional Hospital, DUHS nominates and appoints a majority of the Board of Directors of AHS.
- **Duke University Affiliated Physicians, Inc. (DUAP)** – a North Carolina nonprofit corporation, doing business as Duke Primary Care, consisting of twenty (20) primary care physician practices located in Alamance, Chatham, Durham, Granville, Orange, Vance, and Wake Counties, North Carolina, five (5) urgent care centers located in Durham and Wake Counties, and a pediatric practice with two (2) locations in Durham County.
- **Duke PRMO, LLC (Patient Revenue Management Organization) (PRMO)** – a wholly-owned limited liability company established to manage the clinical billing and accounts receivable activity of DUHS, the Private Diagnostic Clinic, PLLC (PDC), and the School of Medicine (see Note 3).
- **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 risks of DUHS clinical providers and the PDC.
- **DLP Healthcare, LLC (DLP)** – a Delaware limited liability company formed in January 2011 to build a network of

community hospitals in North Carolina, South Carolina, Virginia and surrounding areas, although its activities are not limited geographically and it considers opportunities in other regions of the country. DUHS holds a three percent interest in DLP. DLP Partner, LLC, an indirect subsidiary of LifePoint Hospitals, Inc. which is a publicly traded management corporation owns 97% of DLP.

DUHS presents certain components of income such as investment income and unrestricted gifts as nonoperating income in its consolidated statement of operations. These items are reclassified as operating income in the consolidated statement of activities herein to conform to financial statement presentation generally followed by colleges and universities.

Duke Corporate Education (DukeCE) is a support corporation of the University that was created to operate the corporate executive management education business of the Fuqua School of Business. DukeCE designs, develops, and implements customized education experiences for businesses. DukeCE's corporate operations are based in Durham, North Carolina. DukeCE also has international subsidiaries located in England, India, and South Africa.

3. The Private Diagnostic Clinic, PLLC (the PDC)

The PDC is a professional limited liability company consisting of physicians practicing primarily within DUHS facilities and contiguous PDC clinics. The purpose of the PDC is to provide a structure separate from Duke in which the members of the physician faculty of the School of Medicine may engage in the private practice of medicine and still serve as members of the faculty of Duke conducting clinical teaching and medical research. Under a contract between the PDC and Duke, the PDC: (1) makes payments for nonprofessional services and employees supplied by Duke to the PDC; (2) pays rent for the PDC's use of space; and (3) makes payments for the goodwill and other benefits derived from the PDC's association with Duke. A substantial portion of the payments is used by Duke to support academic programs in the clinical departments of the School of Medicine. These payments totaled $65,045 and $74,993 for fiscal 2012 and fiscal 2011, respectively, and are recognized as revenue in grants, contracts and similar agreements in the consolidated statement of activities.

4. The Duke Endowment

Duke 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. 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.

While Duke and The Duke Endowment have a common heritage, each having been founded through the generosity of James Buchanan Duke, they are two (2) 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, 2012, this right to withhold has never been exercised.

The Duke Endowment trustees now invest for total return in accordance with current investment practices, with the result that (a) the distinction between "principal" and "income" in the traditional sense can no longer be readily identified, if at all, and (b) the traditional "income" that can be identified is often inadequate to meet beneficiary needs. Accordingly, by an Order dated December 15, 2009, the Superior Court of Mecklenburg County, North Carolina further broadened the authority of The Duke Endowment trustees to distribute principal to its beneficiaries.

Unrestricted operating support from The Duke Endowment was $12,500 for fiscal 2012 and fiscal 2011. Such amounts are reflected in investment returns designated for current operations in the consolidated statement of activities.

Duke received discretionary grants from The Duke Endowment of $43,386 and $26,060 for fiscal 2012 and fiscal 2011, respectively. Such amounts are included in contribution revenue in the consolidated statement of activities.

At June 30, 2012 and 2011, the portion of The Duke Endowment's net assets included in permanently restricted net assets on Duke's consolidated balance sheet, and from which Duke derives unrestricted operating support, had a fair value of $563,294 and $594,353 respectively. Duke has no equity interest in the principal of The Duke Endowment trust, which had a fair value of approximately $2.9 billion at June 30, 2012.

5. Contributions Receivable

Contributions receivable, net, are summarized as follows at June 30:

	2012	2011
Unconditional promises expected to be collected in:		
Less than one year	$ 126,769	$ 95,992
Between one year and five years	241,837	194,773
More than five years	76,676	81,965
	445,282	372,730
Less allowance for uncollectible amounts	(113,344)	(77,969)
Less unamortized discount with interest rates ranging from 0.2% to 7.5%	(16,293)	(16,041)
Total	$ 315,645	$ 278,720

The methodology for calculating the allowance 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.

At June 30, 2012 and 2011, the ten (10) largest outstanding donor pledge balances represented 68% and 72%, respectively, of Duke's gross contributions receivable.

At June 30, 2012 and 2011, Duke had also received bequest intentions and certain other conditional promises to give of approximately $84,244 and $75,374, respectively. These intentions and conditional promises to give are not recognized as assets or revenues in the consolidated financial statements. If the related funds are received, they will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department or division of Duke.

6. Land, Buildings, and Equipment

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

	2012	2011
Land and land improvements	$ 243,812	$ 233,679
Buildings and utilities	3,662,554	3,412,942
Computer software	249,582	187,138
Equipment, furniture and vessels	1,162,488	1,070,968
Library and art collections	369,217	349,331
Construction in progress	449,260	364,658
	6,136,913	5,618,716
Less accumulated depreciation	(3,157,388)	(2,920,001)
Total	$ 2,979,525	$ 2,698,715

Interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. Total net interest expense of $11,142 and $13,738 was capitalized in fiscal 2012 and fiscal 2011, 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%. The liability for conditional asset retirement obligations recognized at June 30, 2012 and 2011 was $47,699 and $49,270, respectively. This liability is reported as a part of other liabilities on the consolidated balance sheet.

7. Investments

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

	2012	2011	As of June 30, 2012 Unfunded Commitments	Redemption Frequency (in days) (if currently eligible)[1]	Redemption notice period (in days)
Short-term investments[(a)]	$ 1,292,214	$ 1,244,071	$ …	daily	1
U.S. Government securities[(b)]	51,848	58,307	…	daily	1
Domestic bonds and long-term notes[(c)]	348,100	464,050	…	85% 1 to 30 15% 31 to 90	1 to 30
International bonds and long-term notes[(d)]	104,234	209,842	…	100% 1 to 30	1 to 16
Domestic stocks[(e)]	824,349	793,304	…	93% 1 to 90 2% 91 to 365 5% over 365	1 to 90
International stocks[(f)]	1,553,734	1,832,326	…	88% 1 to 90 11% 91 to 365 1% over 365	1 to 90
Hedged strategies:					
Equity oriented[(g)]	277,452	289,692	…	38% 1 to 90 45% 91 to 365 17% over 365	30 to 95
Credit oriented[(h)]	373,494	443,154	7,675	50% 1 to 90 10% 91 to 365 40% over 365	30 to 180
Multi-strategy and other[(i)]	452,321	514,133	…	46% 1 to 90 20% 91 to 365 34% over 365	7 to 180
Private capital[(j)]	1,581,924	1,491,515	514,291	N/A	N/A
Real estate[(k)]	997,546	861,739	401,183	N/A	N/A
Natural resources[(l)]	801,398	831,995	357,787	N/A	N/A
Other investments	74,774	83,066	…	N/A	N/A
Total investments	$ 8,733,388	$ 9,117,194	$ 1,280,936		

Total investments includes a portion of an investment vehicle controlled by Duke (See Note 1(G)). As of June 30, 2012 and 2011, these amounts were $358,383 and $375,484, respectively. Absent the noncontrolling interests, Duke's total LTP investment was $6,374,553 and $6,503,193 as of June 30, 2012 and 2011, respectively. As of June 30, 2012 and 2011, DUHS's investments managed in the HSP by DUMAC totaled $1,654,074 and $1,659,505, respectively.

(a) Includes short-term U.S. Treasury debt securities with maturities of less than one year and other short-term, highly-liquid debt securities, as well as funds that invest in these types of investments. At June 30, 2012 and 2011, $50,738 and $37,444 respectively, was posted as collateral and thus not readily available for use.

(b) Includes investments in U.S. Treasury and agency debt securities with maturities of more than one year and funds that invest in these types of investments. At June 30, 2012 and 2011, $27,402 and $2,987, respectively, was posted as collateral and thus not readily available for use.

(c) Includes investments in non-government debt securities with maturities of more than one year. Investments consist primarily of credit-oriented securities including U.S. investment-grade and below investment-grade debt securities. Other investments include mortgage-backed securities, asset-backed securities, repurchase agreements, senior loans, and bank loans. This category also includes funds that invest in these types of investments.

[1] 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.

(d) Includes investments in funds that invest in non-U.S. debt securities with maturities of more than one year. Management of the funds has the ability to shift investments from developed to emerging markets and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(e) Includes investments in U.S. common stocks and funds that invest both long and short primarily in U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small- to large-capitalization stocks, and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(f) Includes investments in non-U.S. common stocks and funds that invest both long and short primarily in non-U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from developed to emerging markets, and from a net long position to a net short position. These funds generally have a high net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(g) Includes long and short investments in U.S. and non-U.S. common stocks, hedge funds, and hedge fund funds-of-funds that invest both long and short primarily in U.S. and non-U.S. common stocks. The administration and management of the funds has the ability to shift investments from value to growth strategies, from small to large capitalization stocks, from U.S. to non-U.S. stocks, and from a net long position to a net short position. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

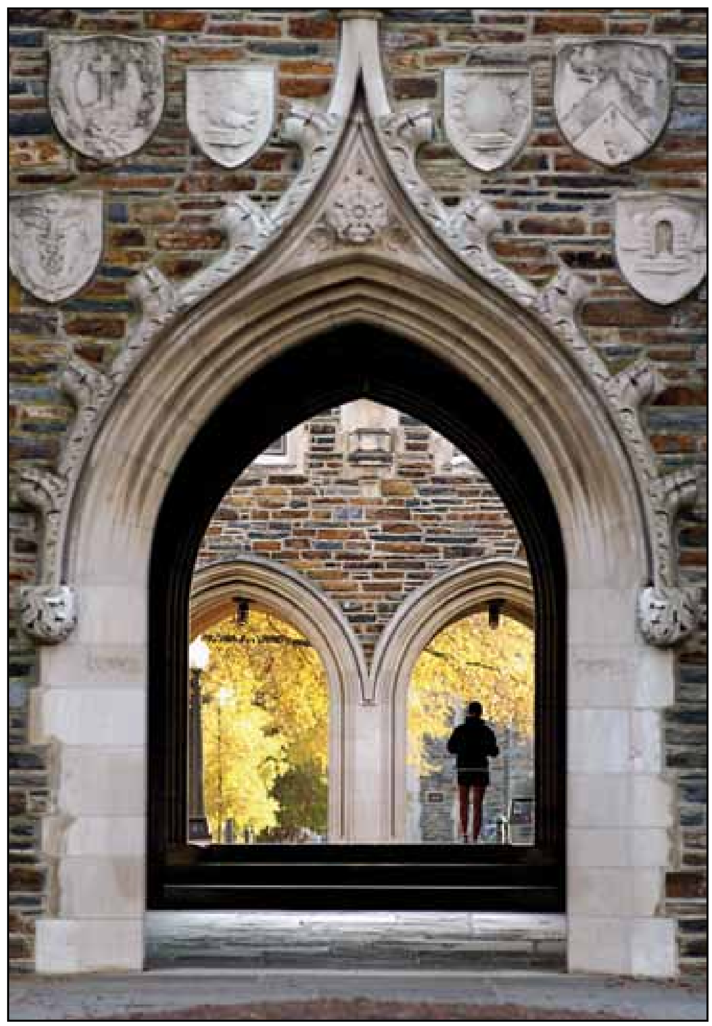
(h) Includes investments in hedge funds that invest both long and short primarily in credit-oriented securities. The administration and management of the funds has the ability to shift investments from a net long position to a net short position. Investments include investment-grade and below investment-grade debt securities, mortgage-backed securities, asset-backed securities, repurchase agreements, senior loans, and bank loans. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(i) Includes investments in hedge funds and hedge fund funds-of-funds that pursue multiple strategies to diversify risks and reduce volatility. The hedge funds composite portfolio includes government securities, common stocks, credit-oriented securities, private equity, real estate, and arbitrage investments. The administration and management of the funds has the ability to shift investments between strategies and from a net long position to a net short position. These funds generally have a low net long position. The fair values of the fund investments in this category have been estimated using the net asset value per share of the investments.

(j) Includes illiquid investments in venture capital, growth equity, buyout, mezzanine, and distressed debt held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 4 to 10 years.

(k) Includes illiquid investments in residential and commercial real estate assets, projects, or land held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 5 to 10 years.

(l) Includes illiquid investments in timber, oil and gas production, mining, energy, and related services businesses held directly, in separately managed accounts, or in commingled limited partnership funds. The fair value of these investments is calculated from the net asset value of Duke's ownership interests in these funds. The nature of the investments in this category is such that distributions are received through liquidation of the underlying assets of the funds. It is estimated that the underlying assets of the funds will be liquidated over the next 6 to 12 years.



Duke's investment return for the years ended June 30 is detailed below:

	2012	2011
Net realized gains from sales of investments	$ 162,144	$ 483,307
Changes in appreciation	(167,048)	1,133,356
Total net (loss) gain	(4,904)	1,616,663
Investment income	67,680	82,445
Total gains and income	62,776	1,699,108
Included in the consolidated statement of activities as investment return designated for current operations:		
Endowment spending	(269,582)	(280,011)
Other investment income	(65,012)	(146,766)
Other	(388)	(229)
Investment return (less than) in excess of amounts designated for current operations	$ (272,206)	$ 1,272,102

The total return for the LTP (in which 98.6% of Duke's endowment was invested at June 30, 2012 and 2011) for fiscal 2012 and fiscal 2011 was 1.0% and 24.5%, respectively, net of external management fees but before internal costs. The total return for Duke's endowment, as such, is not calculated. Duke's traditionally defined endowment and similar funds consist of the following:

	2012	2011
Donor restricted endowment funds, including accumulated gains	$ 3,195,493	$ 3,284,663
Funds functioning as endowment	1,711,990	1,778,373
Charitable remainder funds	90,163	97,970
Total	$ 4,997,646	$ 5,161,006

External management fees paid directly (i.e. segregated investment account fees) totaled $16,902 and $17,175, and internal management fees totaled $8,785 and $9,043 in fiscal 2012 and fiscal 2011, respectively.

Duke is obligated under certain investment fund agreements to periodically advance additional funding up to specified levels. At June 30, 2012, Duke had future commitments of $1.3 billion, which are likely to be called at various dates through 2017.

8. Notes and Bonds Payable

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

	2012	2011
Duke University Revenue Bonds: Tax-Exempt Bonds		
Series 1987A – payable in installments ranging from $6,000 to $6,900 from 2016 to 2018, with interest at a variable rate not to exceed 20.0% (actual interest rate at June 30, 2012 was 0.1%)	$ 18,900	$ 18,900
Series 1991B – payable in installments of $8,000 from 2018 to 2022, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.1%)	40,000	40,000
Series 1992A – payable in installments ranging from $7,000 to $7,240 from 2023 to 2027, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.1%)	35,240	35,240
Series 2001A – refunded in November 2011 with taxable commercial paper	…	33,860
Series 2005A – payable in installments ranging from $47,865 to $82,785 from 2040 to 2042, with fixed interest rates of 4.5% and 5.0% (average interest rate for fiscal 2012 was 5.0%)	207,665	207,665
Series 2006A – payable in installments ranging from $1,490 to $112,970 through 2045, with fixed interest rates ranging from 4.0% to 5.0% (average interest rate for fiscal 2012 was 4.9%)	376,570	378,015
Series 2006B – payable in 2043, with fixed interest rates ranging from 4.3% to 5.0% (average interest rate for fiscal 2012 was 4.5%)	128,435	128,435
Series 2009B – payable in installments of $120,530 in 2038 and $126,560 in 2039, with a fixed interest rate of 5.0%	247,090	247,090
Duke University Taxable Bonds:		
Series 2007A – payable in $100,000 installments in 2036 and 2037, with a fixed interest rate of 5.9%	200,000	200,000
Duke University Health System, Inc. Revenue Bonds:		
Series 1985B – payable in installments of $8,700 from 2013 to 2015, with interest at a variable rate not to exceed 20.0% (actual interest rate at June 30, 2012 was 0.2%) (see Note 13)	26,100	34,800
Series 1993A – payable in installments ranging from $5,160 to $6,330 from 2019 to 2023, with interest at a variable rate (actual interest rate at June 30, 2012 was 0.2%) (see Note 13)	28,650	28,650
Series 2005A, B, and C – each series in the principal amount of $107,380 payable in installments ranging from $6,210 to $11,240 from 2016 through 2028, with interest at a variable rate (average interest rate at June 30, 2012 was 1.01%) (see Note 13)	$ 322,140	$ 322,140
Series 2006A, B, and C – payable in installments ranging from $5,830 to $12,755 from 2013 through 2039, with interest at a variable rate (average interest rate at June 30, 2012 was 0.6%) (see Note 13)	140,515	145,715
Series 2009A – payable in installments ranging from $6,635 to $28,260 from 2029 to 2042, with fixed interest rates ranging from 4.8% to 5.0% (average interest rate for fiscal 2012 was 5.0%)	180,000	180,000
Series 2010A – payable in installments ranging from $6,095 to $11,575 from 2029 to 2042, with fixed interest rates ranging from 4.5% to 5.0% (average interest rate for fiscal 2012 was 4.9%)	120,000	120,000
Series 2012A – payable in installments ranging from $955 to $25,640 from 2013 to 2042, with fixed interest rates ranging from 2.0% to 5.0% (average interest rate for fiscal 2012 was 4.6%)	300,000	…
Notes Payable:		
Taxable commercial paper note program ($200,000 authorized) weighted average maturity and interest rate at June 30, 2012 of 59 days and 0.2%, respectively	48,015	14,407
Tax-exempt bond anticipation program ($300,000 authorized) weighted average maturity and interest rate at June 30, 2012 of 76 days and 0.2%, respectively	17,754	21,038
Note payable due in 2013 with interest at a variable rate of LIBOR plus 0.6% (actual interest rate at June 30, 2012 was 0.8%) (see Note 13)	25,000	25,000
Note payable due in 2014 with interest at a variable rate of LIBOR plus 0.6% (actual interest rate at June 30, 2012 was 0.8%) (see Note 13)	6,171	6,351
Capital lease obligations	128,392	130,567
Various notes	12,883	12,249
Total notes and bonds payable	2,609,520	2,330,122
Unamortized premium	42,931	23,542
Net notes and bonds payable	$ 2,652,451	$ 2,353,664

As of June 30, 2012 and 2011, Duke had letter of credit agreements totaling $275,000 and $270,000, respectively. As of June 30, 2012 and 2011, there were no outstanding borrowings under the letter of credit agreements.

Aggregate maturities of notes and bonds payable (excluding commercial paper) from 2013-2017 are $47,660, $28,476, $23,090, $29,935, and $30,910, respectively.

Duke capitalizes and amortizes the original issue premium and issue costs related to applicable bond issues in a manner that approximates the interest method. At June 30, 2012 and 2011, unamortized bond issue costs of $13,541 and $11,896, respectively, are included in prepaid expenses, deferred charges, and inventories on Duke's consolidated balance sheet. Additionally, net unamortized original issue premium on related bonds of $42,931 and $23,542, respectively, is included in notes and bonds payable on Duke's consolidated balance sheet. Total amortization expense for issue costs and (discounts)/premiums was ($330) and $41 for fiscal 2012 and fiscal 2011, respectively.

Duke had $6,497 and $6,492 at June 30, 2012, and 2011, respectively, in a mandatory debt service reserve fund designated to meet scheduled principal and interest payments on the Series 1985B DUHS Revenue Bonds. This amount is included in deposits with bond trustees on the accompanying consolidated balance sheet.

In June 2012, DUHS issued through the North Carolina Medical Care Commission fixed-rate tax exempt bonds in the par amount of $300,000 (Series 2012A). Proceeds from the issuance are being used to finance the cost of additional DUHS facilities and pay certain expenses of issuing the bonds.

In November 2011, the University refunded the Series 2011A Tax-Exempt Bonds with taxable commercial paper.

In prior fiscal years, Duke defeased certain obligations by irrevocably placing assets with a trustee to pay principal and interest on the obligations as they become due. Total defeased obligations were $121,000 and $265,480 at June 30, 2012 and 2011, respectively.

Trust indentures underlying the Duke University Health System Revenue Bonds contain certain covenants and restrictions.

During fiscal 2012, DUHS converted its Series 2005A, B, and C bonds and its Series 2006 A, B, and C bonds to a Bank-Bought Index Floating Rate mode. The entire outstanding principal amounts of $467,855 were purchased by four commercial banks and now accrue interest at a floating rate indexed to LIBOR. Upon conversion, each bond series retained their original amortization schedule.

In April 2012, DUHS entered into an MMD rate lock agreement to hedge against potential rising interest rates during the period leading up to the issuance of the Series 2012A bonds. Rate lock payments of $7,601 were netted against the premium and recorded in notes and bonds payable on the consolidated balance sheet and will be amortized to interest expense over the life of the bonds.

9. Commitments and Contingencies

A. CONSTRUCTION AND PURCHASE COMMITMENTS

At June 30, 2012 and 2011, open contracts for the construction of physical properties amounted to $249,667 and $261,413, respectively, and outstanding purchase orders for normal operating supplies and equipment amounted to $27,464 and $21,855, respectively.

The Duke Medicine Pavilion (DMP) is a major tertiary care addition to DUHS designed to increase capacity and upgrade patient care. The estimated cost of this project is approximately $546,000 and is expected to be completed in July 2013. This project will be partially funded by the Series 2012A and 2010A tax-exempt bonds.

DUHS launched a significant system initiative which will replace many of the existing technology applications and provide a comprehensive, integrated tool across Duke Medicine. The first phase of the system initiative began in fiscal 2011 with the Ambulatory EHR System. The full enterprise system implementation began in fiscal 2012. The estimated capital project cost of the enterprise wide clinical system implementation is $223,800 and has a phased rollout of major components from July 2012 through July 2014.

B. LEASES

Duke leases various machinery, equipment and buildings under operating leases expiring at various dates through 2029. Total rental expense in fiscal 2012 and fiscal 2011 for all operating leases was $75,771 and $71,993, respectively.

Future minimum lease payments under noncancelable capital and operating leases as of June 30, 2012 are as follows:

Year	Capital Leases	Operating Leases	Total
2013	$ 9,335	$ 67,946	$ 77,281
2014	9,481	63,621	73,102
2015	9,630	56,270	65,900
2016	9,779	49,718	59,497
2017	9,940	43,803	53,743
Thereafter	329,482	149,711	479,193
Total minimum lease payments	377,647	431,069	808,716
Less sublease rentals by the PDC	…	(34,137)	(34,137)
Total minimum payments less subleases	377,647	$ 396,932	$ 774,579
Less: Interest portion	(249,255)		
Capital lease obligations	$ 128,392		

C. MEDICAL MALPRACTICE COVERAGE

DCC (see Note 2) insures a portion of the medical malpractice risks and patient general liability risks of DUHS clinical providers and the PDC. The assets, liabilities, and results of operations for DCC have been reflected in the unrestricted net assets of Duke. Policy limits for the years ended June 30, 2012 and 2011 were $110,000 per incident and $160,000 in the aggregate. DCC limits its exposure to loss through reinsurance and excess loss agreements.

Estimated professional liability costs include the estimated cost of professional liability in fiscal 2012 and 2011 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, 2012 and 2011 is 3.5%. Accrued professional liability costs as of June 30, 2012 and 2011 amounted to $64,639 and $77,496, respectively. Cash, 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 $9,017 and $8,613 as of June 30, 2012 and 2011, 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.

In fiscal 2011, DCC became a Segregated Accounts Company under the Insurance Act, 1978 of Bermuda. Effective July 1, 2011, two "cells" were created to isolate and insure risk for (1) international clinical and research activities and (2) privacy/cyber liabilities. These programs maintain nominal self-insured retention accounts.

Professional liability risk of DUHS entities for time periods not included in the DCC program is covered by commercial policies and self-insurance.

D. SELF-INSURANCE

Duke provides employee healthcare benefits, long-term disability benefits, unemployment benefits, and workers' compensation benefits primarily though 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 accrued payroll and employee withholdings or accrued postretirement/postemployment and other benefit obligations on Duke's consolidated balance sheet.

E. CONTINGENCIES

Duke is involved in various legal actions occurring in the normal course of activities. While the final outcomes cannot be determined at this time, the administration is of the opinion that the resolution of these matters will not have a material adverse effect on Duke's financial position.

Laws and regulations governing Medicare, Medicaid, and other Federal programs are complex and subject to interpretation. Duke, in part through its compliance program, seeks to ensure compliance with such laws and regulations, and to rectify instances of noncompliance with governmental program rules. Duke believes that it is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing that would have a material effect on Duke's consolidated financial statements. 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 the Medicare, Medicaid, and other Federal programs.

10. Pension and Other Postretirement Benefit Plans

Faculty and exempt staff members of Duke are eligible to participate in a contributory defined contribution retirement plan. For fiscal 2012 and fiscal 2011, Duke contributed $117,801 and $111,902, respectively, to this plan. Duke expects to contribute $124,949 to this plan in fiscal 2013.

In addition, Duke has a noncontributory defined benefit pension plan for substantially all full-time non-exempt employees. Pension expense for this plan for fiscal 2012 and fiscal 2011 amounted to $14,955 and $11,818, respectively. The benefit for this plan is based on years of service and the employee's compensation during the last ten (10) years of employment. Duke contributed $12,866 and $6,018 to the plan in fiscal 2012 and fiscal 2011, respectively. Duke expects to contribute $20,424 in fiscal 2013.

The following table summarizes the allocation of assets available for plan benefits for the defined benefit pension plan at June 30:

	2012	2011
Short-term investments	9.3%	9.6%
Domestic bonds and long term notes	5.2	4.5
International bonds and long-term notes	2.1	1.9
Domestic stocks	7.2	7.2
International stocks	20.2	22.6
Hedged strategies:		
Equity oriented	9.8	10.0
Credit oriented	4.6	5.8
Multi-strategy and other	6.4	6.9
Private capital	15.1	13.3
Real estate	10.3	8.3
Natural resources	9.6	9.8
Other	0.2	0.1
Total	100.0%	100.0%

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 38% equity (public and private investments in companies), 13% commodity (direct commodity exposure, commodity related equities, and private investments in energy, power, infrastructure and timber), 13% real estate (private real estate and REITs), 13% credit (investment-grade bonds, corporate bonds, bank debt, asset backed securities, etc.), 13% rates (public obligations including treasuries and agencies), and 10% inflation/other (U.S. Treasury Inflation Protected Securities, non-U.S. inflation linked bonds, and absolute return oriented hedge funds).

The fair value of Duke's assets available for pension benefits as of the June 30, 2012 measurement date is as follows:

	Level 1	Level 2	Level 3	2012 Total
Assets:				
Investments:				
Short-term investments	$ 677	$ 110,943	$ …	$ 111,620
Domestic bonds and long-term notes	(21,411)	83,936	…	62,525
International bonds and long-term notes	…	24,563	…	24,563
Domestic stocks	40,985	38,116	6,986	86,087
International stocks	31,935	169,997	38,819	240,751
Hedged strategies:				
Equity oriented	7	80,909	36,487	117,403
Credit oriented	…	27,676	27,068	54,744
Multi-strategy and other	814	35,273	40,808	76,895
Private capital	352	…	180,192	180,544
Real estate	…	…	122,470	122,470
Natural resources	1,002	…	113,347	114,349
Other investments	440	1,494	…	1,934
Total investments	54,801	572,907	566,177	1,193,885
Liabilities:				
Due to Duke University	$ (92)	$ …	$ …	$ (92)

The fair value of Duke's pension assets available for pension benefits as of the June 30, 2011 measurement date is as follows:

	Level 1	Level 2	Level 3	2011 Total
Assets:				
Cash and cash equivalents	$ 91	$ …	$ …	$ 91
Investments:				
Short-term investments	7,383	109,511	…	116,894
Domestic bonds and long-term notes	54,447	…	…	54,447
International bonds and long-term notes	…	22,682	…	22,682
Domestic stocks	36,073	42,375	9,330	87,778
International stocks	41,590	183,636	49,967	275,193
Hedged strategies:				
Equity oriented	3,881	76,540	41,109	121,530
Credit oriented	5,924	23,973	41,586	71,483
Multi-strategy and other	4,960	30,290	48,476	83,726
Private capital	256	…	161,486	161,742
Real estate	3	…	100,826	100,829
Natural resources	300	…	119,386	119,686
Other investments	815	675	…	1,490
Total investments	155,632	489,682	572,166	1,217,480
Other assets	463	…	…	463
Total assets	$ 156,186	$ 489,682	$ 572,166	$ 1,218,034

The following table presents additional information about the Level 3 pension benefit assets measured at fair value. 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, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Transfers (to) from Level 2	Balance as of June 30, 2012
Investments:						
Domestic bonds and long-term notes	$ …	$ 24	$ 2,909	$ (2,933)	$ …	$ …
Domestic stocks	9,330	(60)	…	(2,284)	…	6,986
International stocks	49,967	(5,281)	1,397	(3,695)	(3,569)	38,819
Hedged strategies:						
Equity oriented	41,109	3,825	…	(6,016)	(2,431)	36,487
Credit oriented	41,586	(835)	3,412	(13,390)	(3,705)	27,068
Multi-strategy and other	48,476	(797)	5,276	(8,672)	(3,475)	40,808
Private capital	161,486	15,167	30,878	(27,589)	250	180,192
Real estate	100,826	3,694	24,694	(6,744)	…	122,470
Natural resources	119,386	(311)	14,229	(19,957)	…	113,347
Total	$ 572,166	$ 15,426	$ 82,795	$ (91,280)	$ (12,930)	$ 566,177

	Balance as of June 30, 2010	Net realized and unrealized gains	Purchases	Sales	Transfers from (to) Level 2	Balance as of June 30, 2011
Investments:						
Domestic stocks	$ 8,313	$ 3,604	$ 1,840	$ (11,379)	$ 6,952	$ 9,330
International stocks	54,224	19,061	10,871	(19,547)	(14,642)	49,967
Hedged strategies:						
Equity oriented	36,192	6,447	2,232	(8,336)	4,574	41,109
Credit oriented	52,511	5,987	22,161	(38,622)	(451)	41,586
Multi-strategy and other	52,527	7,220	9,000	(23,492)	3,221	48,476
Private capital	128,551	29,444	39,293	(35,802)	…	161,486
Real estate	78,536	17,697	66,107	(61,514)	…	100,826
Natural resources	101,664	24,071	17,288	(23,637)	…	119,386
Total	$ 512,518	$ 113,531	$ 168,792	$ (222,329)	$ (346)	$ 572,166

During fiscal 2012 and fiscal 2011, transfers of $13,180 and $346, respectively, were made between Level 2 and Level 3 related to changes in liquidity. During fiscal 2012, Level 1 investments totaling $250 became private, restricted, or not priced publicly and were consequently transferred to Level 3. The change in unrealized gains related to Level 3 assets still held at June 30, 2012 and 2011 was $34,430 and $103,004, respectively, and was recorded within nonperiodic changes in defined benefit plans on the consolidated statement of activities. There were no transfers between Level 1 and Level 2 investments during fiscal 2012 or fiscal 2011.

At June 30, 2012 and 2011, the accumulated benefit obligation for the pension benefits was $1,228,401 and $924,901, and the fair value of the plan assets was $1,193,793 and $1,218,034, respectively. At June 30, 2012, the plan was under funded in relation to accumulated benefits by $34,608. At June 30, 2011, the plan was over funded in relation to accumulated benefits by $293,133.

The pension benefits expected to be paid in each year from 2013-2017 are $41,280, $42,860, $45,274, $48,314, and $52,199, respectively. The aggregate benefits expected to be paid in the five years from 2018-2022 are $334,652. The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30 and include estimated future employee service.

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 cost for retiree health care and for the health care of 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 healthcare benefits to retirees within DUHS facilities plus the full cost to provide healthcare benefits to retirees at facilities other than DUHS.

The postretirement benefits expected to be paid in each year from 2013-2017 are $5,720, $7,534, $9,479, $10,232, and $11,069. The aggregate benefits expected to be paid in the five years from 2018-2022 are $62,310. The expected benefits to be paid are based on the same assumptions used to measure the University's benefit obligation at June 30 and include estimated future employee service. The current portion of the postretirement obligation at June 30, 2012 was $5,601.

The measurement date for both the defined benefit pension plan and the postretirement health benefit plan is June 30.

The following tables provide a reconciliation of the changes in the plans' projected benefit obligations and fair value of assets:

	Pension Benefits		Postretirement Benefits	
	2012	**2011**	**2012**	**2011**
Reconciliation of benefit obligation				
Obligation at beginning of year	$ 1,025,032	$ 961,791	$ 177,904	$ 229,064
Service cost	43,419	40,207	3,057	3,892
Interest cost	57,742	54,153	10,003	12,900
Actuarial loss (gain)	269,018	9,440	28,809	(58,055)
Benefit payments	(40,881)	(38,559)	(9,295)	(11,631)
Retiree drug subsidy payments	…	…	1,331	1,734
Administrative expenses (estimated)	(2,000)	(2,000)	…	…
Obligation at end of year	$ 1,352,330	$ 1,025,032	$ 211,809	$ 177,904
Reconciliation of fair value for plan assets				
Fair value of plan assets at beginning of year	$ 1,218,034	$ 1,027,765	$ …	$ …
Actual return on plan assets	5,482	224,651	…	…
Employer contributions	12,866	6,018	…	…
Participant contributions	152	122	…	…
Benefit payments	(40,881)	(38,559)	…	…
Administrative expenses	(1,860)	(1,963)	…	…
Fair value of plan assets at end of year	$ 1,193,793	$ 1,218,034	$ …	$ …
Funded status				
Net amount recognized (accrued benefit liability)	$ (158,537)	$ 193,002	$ (211,809)	$ (177,904)

The following table provides the components of net periodic benefit cost for the plans for fiscal 2012 and fiscal 2011:

	Pension Benefits		Postretirement Benefits	
	2012	2011	2012	2011
Service cost	$ 43,419	$ 40,207	$ 3,057	$ 3,892
Interest cost	57,742	54,153	10,003	12,900
Expected return on plan assets	(90,282)	(86,775)	…	…
Amortization of prior-service cost (asset)	4,202	4,357	(1,084)	(1,596)
Expected participant contributions	(126)	(124)	…	…
Recognized actuarial gain	…	…	(2,665)	…
Net periodic benefit cost	$ 14,955	$ 11,818	$ 9,311	$ 15,196

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 (asset) for fiscal 2013 is $2,887 and ($471) for the pension benefits and postretirement benefits, respectively. The expected amortization of actuarial losses for fiscal 2013 is $17,939 for the pension benefits. Unrecognized prior-service cost (asset) were $10,179 and ($5,387) and unrecognized actuarial (losses) gains were ($198,919) and $15,096 for the pension benefits and postretirement benefits, respectively, as of June 30, 2012. Unrecognized prior-service cost (asset) were $14,381 and ($6,471) and unrecognized actuarial gains were $154,733 and $46,570 for the pension benefits and postretirement benefits, respectively, as of June 30, 2011.

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

	Pension Benefits				Postretirement Benefits			
	2012		2011		2012		2011	
Weighted average assumptions as of measurement date	Obligation	Cost	Obligation	Cost	Obligation	Cost	Obligation	Cost
Discount rate	4.25%	5.75%	5.75%	5.75%	4.25%	5.75%	5.75%	5.75%
Expected return on plan assets	N/A	8.50%	N/A	8.50%	N/A	N/A	N/A	N/A
Rate of compensation increase	3.00%	3.50%	3.50%	3.50%	N/A	N/A	N/A	N/A

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 inflation expectations and long-term real expected returns for each asset class. The result was reduced by 1.0% to reflect medium-term expectations and survey data for similar plans. The rate is reviewed annually and adjusted as appropriate to reflect changes in the expected market performance or in targeted asset allocation ranges.

In order to determine the benefit obligation as of June 30, 2012, the per capita costs of covered health care benefits was assumed to increase 9.5% for non-Medicare eligible employees and 8.5% for Medicare eligible employees, declining to an ultimate annual rate of increase of 5.0% by 2023. The benefit expense for fiscal 2012 was driven by the rates used to determine the obligation at June 30, 2011, which were 8.5% for non-Medicare eligible employees and 9.5% for Medicare eligible employees declining to an ultimate rate of 5.0% by 2023.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A 1.0% change in assumed health care cost trend rates would have the following effect:

	1.0% Increase	1.0% Decrease
Effect on total of service and interest cost components of net periodic postretirement health care benefit cost	$ 2,227	$ (1,783)
Effect on the health care component of the accumulated postretirement benefit obligation	$ 31,634	$ (25,803)

Duke currently provides postemployment medical and life insurance benefits to former employees receiving long-term disability income benefits. The consolidated balance sheet includes a liability of $23,261 and $19,876 for this accrued postemployment benefit cost as of June 30, 2012 and 2011, respectively.

The Health Care Acts include several provisions that may affect Duke's postretirement benefit plans, including imposing an excise tax on high cost coverage, eliminating lifetime and annual coverage limits, and imposing inflation-adjusted fees for each person covered by a health insurance policy for each policy plan year ending after September 30, 2012, through September 30, 2019. For the postretirement benefit plan, the changes due to the Health Care Acts increase the postretirement benefit obligation by $607, which has been included in the measurement as of June 30, 2012.

11. Net Assets

Temporarily restricted net assets consist of the following at June 30:

	2012	2011
Contributions for physical plant	$ 147,620	$ 83,730
Appreciation on donor-restricted endowments	1,750,041	1,882,829
Annuity and other split-interest agreements	20,777	33,450
Contributions for instruction, research and divisional support	102,306	171,154
Other	6,868	6,559
Temporarily restricted net assets	$ 2,027,612	$ 2,177,722

Permanently restricted net assets consist of the following at June 30:

	2012	2011
Instruction, research, and student aid:		
Donor-restricted endowment funds	$ 1,511,408	$ 1,419,932
Contributions receivable, net	104,773	34,001
Interests in perpetual trusts held by others	647,713	684,341
Total instruction, research, and student aid	2,263,894	2,138,274
Annuity and other split-interest agreements	43,040	69,090
Student loan funds	16,453	16,077
Permanently restricted net assets	$ 2,323,387	$ 2,223,441

Endowment net assets, excluding charitable remainder funds, consist of the following at June 30, 2012:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2012 Total
Donor-restricted endowment funds	$ (3,158)	$ 1,750,041	$ 1,448,610	$ 3,195,493
Board-designated endowment funds	1,711,990	…	…	1,711,990
Interests in perpetual trusts held by others	…	…	647,713	647,713
Total endowed net assets	$ 1,708,832	$ 1,750,041	$ 2,096,323	$ 5,555,196

Endowment net assets, excluding charitable remainder funds, consist of the following at June 30, 2011:

	Unrestricted	Temporarily Restricted	Permanently Restricted	2011 Total
Donor-restricted endowment funds	$ (212)	$ 1,882,829	$ 1,402,046	$ 3,284,663
Board-designated endowment funds	1,778,373	…	…	1,778,373
Interests in perpetual trusts held by others	…	…	684,341	684,341
Total endowed net assets	$ 1,778,161	$ 1,882,829	$ 2,086,387	$ 5,747,377

Changes in endowment net assets for the years ended June 30, 2012 and 2011 are as follows:

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Balance as of June 30, 2010	$ 1,463,374	$ 1,417,573	$ 1,942,625	$ 4,823,572
Investment return:				
Investment income	120,828	162,169	18,084	301,081
Net appreciation in fair value	291,379	465,256	64,269	820,904
Total investment return	412,207	627,425	82,353	1,121,985
Contributions	264	…	61,409	61,673
New Board designated endowment funds	20,158	…	…	20,158
Appropriations for expenditure	(117,842)	(162,169)	…	(280,011)
Balance as of June 30, 2011	1,778,161	1,882,829	2,086,387	5,747,377
Investment return:				
Investment income	114,721	162,894	14,587	292,202
Net depreciation in fair value	(106,791)	(132,788)	(55,132)	(294,711)
Total investment return (loss)	7,930	30,106	(40,545)	(2,509)
Contributions	165	…	50,481	50,646
New Board designated endowment funds	29,264	…	…	29,264
Appropriations for expenditure	(106,688)	(162,894)	…	(269,582)
Balance as of June 30, 2012	$ 1,708,832	$ 1,750,041	$ 2,096,323	$ 5,555,196

12. Fair Value Measurements

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

Fair Value as of June 30, 2012	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 526,160	$ …	$ …	$ 526,160
Deposits with bond trustees	230,282	…	…	230,282
Investments:				
Short-term investments	596,699	695,515	…	1,292,214
U.S. Government securities	48,267	3,581	…	51,848
Domestic bonds and long-term notes	(69,629)	405,077	12,652	348,100
International bonds and long-term notes	(8,115)	112,349	…	104,234
Domestic stocks	500,000	222,776	101,573	824,349
International stocks	449,290	905,517	198,927	1,553,734
Hedged strategies:				
Equity oriented	43	109,084	168,325	277,452
Credit oriented	…	186,474	187,020	373,494
Multi-strategy and other	11,354	194,990	245,977	452,321
Private capital	2,793	…	1,579,131	1,581,924
Real estate	400	…	997,146	997,546
Natural resources	6,453	…	794,945	801,398
Other investments	43,807	26,596	4,371	74,774
Total investments	1,581,362	2,861,959	4,290,067	8,733,388
Interests in perpetual trusts held by others	…	…	647,713	647,713
Total assets	$ 2,337,804	$ 2,861,959	$ 4,937,780	$ 10,137,543
Liabilities:				
Interest rate and basis swaps	$ …	$ 140,520	$ …	$ 140,520

Fair Value as of June 30, 2011	Level 1	Level 2	Level 3	Total
Assets:				
Cash and cash equivalents	$ 317,593	$ 6,581	$ …	$ 324,174
Deposits with bond trustees	92,261	…	…	92,261
Investments:				
Short-term investments	693,019	551,052	…	1,244,071
U.S. Government securities	53,324	4,983	…	58,307
Domestic bonds and long-term notes	15,349	436,429	12,272	464,050
International bonds and long-term notes	4,298	210,269	(4,725)	209,842
Domestic stocks	437,425	247,754	108,125	793,304
International stocks	605,326	931,766	295,234	1,832,326
Hedged strategies:				
Equity oriented	20,038	72,286	197,368	289,692
Credit oriented	34,959	125,852	282,343	443,154
Multi-strategy and other	28,979	154,814	330,340	514,133
Private capital	2,095	…	1,489,420	1,491,515
Real estate	7	…	861,732	861,739
Natural resources	2,693	…	829,302	831,995
Other investments	40,301	30,617	12,148	83,066
Total investments	1,937,813	2,765,822	4,413,559	9,117,194
Interests in perpetual trusts held by others	…	…	684,341	684,341
Total assets	$ 2,347,667	$ 2,772,403	$ 5,097,900	$ 10,217,970
Liabilities:				
Interest rate and basis swaps	$ …	$ 85,332	$ …	$ 85,332

The following table presents additional information about Level 3 assets measured at fair value. 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, 2011	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out)	Balance as of June 30, 2012
Investments:						
Domestic bonds and long-term notes	$ 12,272	$ 452	$ 180,304	$ (179,244)	$ (1,132)	$ 12,652
International bonds and long-term notes	(4,725)	3,391	13,953	(19,577)	6,958	…
Domestic stocks	108,125	4,427	13,924	(24,597)	(306)	101,573
International stocks	295,234	(40,716)	23,062	(50,071)	(28,582)	198,927
Hedged strategies:						
Equity oriented	197,368	26,398	5,500	(31,480)	(29,461)	168,325
Credit oriented	282,343	(1,668)	22,785	(55,818)	(60,622)	187,020
Multi-strategy and other	330,340	(5,976)	12,028	(62,308)	(28,107)	245,977
Private capital	1,489,420	83,968	245,161	(240,804)	1,386	1,579,131
Real estate	861,732	4,063	206,649	(75,298)	…	997,146
Natural resources	829,302	2,094	118,132	(154,583)	…	794,945
Other investments	12,148	(1)	1,861	(35)	(9,602)	4,371
Total investments	4,413,559	76,432	843,359	(893,815)	(149,468)	4,290,067
Interests in perpetual trusts held by others	684,341	(36,628)	…	…	…	647,713
Total	$ 5,097,900	$ 39,804	$ 843,359	$ (893,815)	$ (149,468)	$ 4,937,780

	Balance as of June 30, 2010	Net realized and unrealized gains (losses)	Purchases	Sales	Net transfers in (out)	Balance as of June 30, 2011
Investments:						
Domestic bonds and long-term notes	$ 20,615	$ 1,989	$ 8,187	$ (28,900)	$ 10,381	$ 12,272
International bonds and long-term notes	(1,780)	(771)	37	…	(2,211)	(4,725)
Domestic stocks	82,162	28,243	10,637	(44,056)	31,139	108,125
International stocks	329,701	142,431	101,567	(301,459)	22,994	295,234
Hedged strategies:						
Equity oriented	179,200	28,814	7,154	(40,435)	22,635	197,368
Credit oriented	373,859	42,934	149,334	(275,701)	(8,083)	282,343
Multi-strategy and other	354,416	47,139	53,518	(164,525)	39,792	330,340
Private capital	1,102,279	328,506	294,227	(241,283)	5,691	1,489,420
Real estate	723,569	139,407	369,461	(370,705)	…	861,732
Natural resources	683,003	183,664	133,654	(171,019)	…	829,302
Other investments	25,686	4,460	9,308	(19,916)	(7,390)	12,148
Total investments	3,872,710	946,816	1,137,084	(1,657,999)	114,948	4,413,559
Interests in perpetual trusts held by others	575,518	108,823	…	…	…	684,341
Total	$ 4,448,228	$ 1,055,639	$1,137,084	$(1,657,999)	$ 114,948	$ 5,097,900

During fiscal 2012 and fiscal 2011, transfers of ($138,117) and $90,960, respectively, were made between Level 2 and Level 3 related to changes in liquidity. In fiscal 2012, Level 1 and Level 2 securities totaling $13,465 and $542, respectively, became private, restricted, or not priced publicly and were consequently transferred to Level 3. In fiscal 2011, Level 1 and Level 2 securities totaling $19,521 and $5,319, respectively, became private, restricted, or not priced publicly and were consequently transferred to Level 3. During fiscal 2012, Level 3 securities totaling $20,545 and $4,813 reorganized into tradable Level 1 and Level 2 securities, respectively. In addition, during fiscal 2011 $852 of Level 3 securities reorganized into tradable Level 1 securities. There were no transfers between Level 1 and Level 2 investments during fiscal 2012 and fiscal 2011. The change in net unrealized gains and losses related to Level 3 assets still held at June 30, 2012 and 2011 was $34,733 and $899,108, respectively. As of June 30, 2012 and 2011, $71,361 and $790,285, respectively was recorded in investment return in excess of amounts designated for current operations and ($36,628) and $108,823 was recorded in (losses) gains on perpetual trusts held by others and changes in split-interest obligations on the consolidated statement of activities, respectively.

13. Derivative and Other Financial Instruments

Duke has executed derivative financial instruments in the normal course of managing its debt portfolio using long term strategies. Duke has five (5) interest rate swap agreements that are designed to synthetically increase or decrease the variable rate exposure associated with its portfolio of debt. In addition, Duke has one (1) basis swap agreement designed as a hedging technique to reduce the interest rate risk on variable rate indebtedness by utilizing the spread between the yield curves for taxable debt securities and tax-exempt municipal debt securities.

The following table summarizes the general terms for each of Duke's swap agreements:

	August 1993 Interest Rate Swap	**March 2005 Interest Rate Swap**	**October 2005 Interest Rate Swap**	**November 2005 Interest Rate Swap**	**April 2007 Interest Rate Swap**	**July 2001 Basis Swap**
Effective Date	August 12, 1993	May 19, 2005	December 1, 2006	November 15, 2005	April 1, 2009	July 6, 2001
Associated variable rate debt	Series 1993A	Series 2005 A/B/C	N/A	N/A	Portfolio[5]	N/A
Term	30 years	23 years	7 years	8 years	30 years	20 years
Notional amount	$28,650	$322,140	$7,000	$25,000[4]	$172,400	$400,000
Rate Duke receives	SIFMA[1]	61.52% of one-month LIBOR[2] plus 0.28%	One-month LIBOR[2] plus 0.60%	One-month LIBOR[2] plus 0.60%	67% of one-month LIBOR[2]	72.125% of one-month LIBOR[2]
Rate Duke pays	5.09%	3.60%	5.63%	5.10%	3.72%	SIFMA[1]
Collateral provisions	100% of exposure if >$500	Joint[3]	N/A	N/A	$30,000	Joint[3]

The fair value of each swap is the estimated amount Duke 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 net fair value is included in other liabilities on the consolidated balance sheet. The change in fair value is included as a gain or loss in other nonoperating activities on the consolidated statement of activities. The net settlement amount incurred on the swaps is included in operating income on the consolidated statement of activities. The collateral to support the swaps is included in investments on the consolidated balance sheet.

The aggregate fair value of all derivative instruments with credit-risk related contingent features that were in a liability position on June 30, 2012 and 2011 was $139,026 and $82,698, respectively, for which DUHS has posted collateral of $27,402 and $2,987, respectively, in the normal course of business. If the credit-risk related features underlying these agreements were triggered on June 30, 2012 and 2011, DUHS would have been required to post an additional $111,624 and $79,711, respectively, of collateral to its counterparties.

Financial Information Related to Derivative Instruments	**2012 Fair Value**	**2012 Gain (Loss)**	**2011 Fair Value**	**2011 Gain**
August 1993 Interest Rate Swap	$ (9,329)	$ (2,921)	$ (6,408)	$ 243
March 2005 Interest Rate Swap	(69,355)	(30,005)	(39,350)	7,269
October 2005 Interest Rate Swap	(433)	228	(661)	146
November 2005 Interest Rate Swap	(1,061)	912	(1,973)	524
April 2007 Interest Rate Swap	(51,381)	(25,442)	(25,939)	7,465
July 2001 Basis Swap	(8,961)	2,040	(11,001)	7,355
Total	$ (140,520)	$ (55,188)	$ (85,332)	$ 23,002

[1] SIFMA represents the Securities Industry and Financial Markets Association Municipal Swap Index. Formerly known as the BMA Municipal Swap Index, SIFMA is the interest rate index used as a basis for repricing the Series 1993A variable rate bonds; however, the rate may vary from SIFMA in any period.

[2] LIBOR represents the London Interbank Offered Rate.

[3] Duke and the counterparty for 100% of the July 2001 Basis Swap and 75% of the 2005 Interest Rate Swap are currently required to post collateral for combined fair value liability amounts in excess of $80,000, based on current credit ratings. Both Duke and the counterparty with 25% of the 2005 Interest Rate Swap are currently required to post collateral for combined fair value in excess of $40,000, based on current credit ratings.

[4] Original swap's effective date was June 2003, and had a notional value at June 30, 2005 of $15,000. This swap was revised effective November 15, 2005 with the terms outlined above.

[5] Notional amount of the April 2007 Interest Rate Swap declines coincident with the principal payment schedules for the Series 1985B and Series 2006 bonds. The residual portion is $5,785.

Duke is exposed to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis swap.

Duke 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 Duke's consolidated balance sheet. Duke 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.

The counterparty on the 2007 Interest Rate Swap may exercise an early termination right on April 1, 2016, and every seven years thereafter, until 2037. In the event this right is exercised, DUHS may revoke it, at which time the DUHS collateral threshold reduces to zero for the remainder of the swap agreement.

Certain DUHS derivative instruments contain provisions requiring long-term, unsecured debt to be maintained at specified credit ratings from Moody's Investor Service and Standard and Poor's Rating Service. If the ratings of DUHS's debt were to fall below certain benchmarks, the counterparty could request immediate payment on derivatives in net liability positions. At June 30, 2012, DUHS's long-term debt ratings exceeded these benchmarks.

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 the year ended June 30, 2012, Duke, or external investment managers on Duke's behalf, entered into:

(a) Forward contracts with various counterparties to obtain exposure to foreign currency exchange rate movements and, in other cases, to hedge against certain foreign currency exchange rate risks resulting from non-U.S. dollar denominated investment securities. Forward contracts are contracts in which the seller agrees to exchange specified currencies on a specified date at a specified rate or to make cash settlement for the value of the agreement at expiration. Risks associated with forward currency contracts are the inability of counterparties to meet the terms of their contracts and movements in exchange rates. Gains and losses on forward transactions are recorded based on changes in fair value. Duke has established procedures to actively monitor and manage market and credit risks.

(b) Futures contracts to hedge exposure to equity price and interest rate movements and to obtain exposure to movements in the exchange rates of certain currencies and prices of certain commodities, equities, U.S Bonds, and non-U.S. sovereign bonds. Futures contracts are agreements in which the seller agrees to either make delivery of specified assets on a specified future date at a specified price or make cash settlement for the value of the agreement at expiration. Duke's maximum loss exposure for purchased contracts is the notional value of the contracts. Duke has unlimited liability on contracts sold. Duke has established procedures to actively monitor and manage market and credit risks.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant (FCM). The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to Duke's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

(c) Swap agreements, including, equity, index, interest rate, credit default, option, and variance swaps as part of its investment strategies to gain exposure to and, in some cases, hedge against changes in stock prices, interest rate levels, credit strength of specified companies, and market volatility. Generally, a swap contract is an agreement that obligates two parties to exchange a series of cash flows at specified intervals based upon, or calculated by, reference to changes in specified prices or rates for a specified notional amount of the underlying assets. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

During the term of the swap contracts, changes in value are recognized as unrealized gains or losses by marking the contracts to market. Duke records a realized gain (loss) when periodic payments are received or made.

Loss may result from the failure of the counterparty to the swap contract to comply with the terms of the swap contract. Such loss is generally limited to the aggregate of the unrealized gain on the swap contract less collateral held or plus any collateral posted with the counterparty. Duke considers the creditworthiness of its swap contract counterparties in evaluating potential credit risk. Additionally, risks may arise from unanticipated movements in the fair value of the underlying securities and the lack of market liquidity to unwind the positions at current fair values.

(d) Option contracts (including swaptions, which are options on swaps) to obtain exposure to movements of certain equity prices, interest rates and currency exchange rates, and as economic hedges against certain equity positions held in its portfolio. Option contracts purchased give Duke the right, but not the obligation, to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Option contracts may also be settled in cash, based on the difference between the contracted price and market price at the exercise date. The value of an option has two components: time value and intrinsic value. An option expires on a certain date and as the expiration date approaches, the time value of an option will decline. In addition, if the stock underlying the option declines in price, the intrinsic value of an "in the money" option will decline. Further, if the price of the stock underlying the option does not exceed the strike price of the option on the expiration date, the option will expire worthless. As a result, there is the potential for Duke to lose its entire investment in an option.

Options written (sold) by Duke obligate Duke to buy or sell within a limited time, a financial instrument, commodity, or currency at a contracted price. Alternatively Duke can settle in cash, based on the difference between the contracted price and market price at the exercise date. Options written expose Duke to market risk for changes in the financial instrument underlying the written option.

Duke is exposed to counterparty risk in that the seller of an option contract might not sell or purchase the underlying asset as agreed under the terms of the option contract. The maximum exposure to loss from counterparty risk for Duke is the fair value of the contracts and the premiums paid to purchase its open option contracts. Duke considers the creditworthiness of the intermediary counterparty to its option transactions in evaluating potential credit risk.

(e) Transactions where Duke received warrants from its portfolio companies upon an investment in the debt or equity of a company. The warrants provide Duke with exposure and potential gains upon appreciation of the portfolio company's share price.

The value of a warrant has two components: time value and intrinsic value. A warrant expires on a certain date and as that date approaches, the time value of a warrant will decline. In addition, if the stock underlying the warrant declines in price, the intrinsic value of an "in the money" warrant will decline. Further, if the price of the stock underlying the warrant does not exceed the strike price of the warrant on the expiration date, the warrant will expire worthless. As a result, there is the potential for Duke to lose its entire investment in a warrant.

Duke is exposed to counterparty risk in that the issuer of warrants may fail to settle its exercised warrants. The maximum loss from counterparty risk for Duke is the fair value of the contracts and the purchase price of the warrants. Duke considers the effects of counterparty risk when determining the fair value of its investments in warrants.

(f) Transactions where Duke received rights from its portfolio companies upon an investment in a debt or equity of a company. The rights provide Duke with exposure to, and potential gains from, appreciation of the portfolio company's share price. Rights entitle the holder to buy stock of the issuing company at a specified price. Changes in the value of the rights are recognized as unrealized gains or losses at the end of each day's trading. If the right is exercised, the new stock is assigned a cost basis at the strike price and the right is marked to zero. If the right is sold, Duke records a realized gain or loss.

The volume of Duke's derivative activities based on their notional amounts and number of contracts, categorized by primary underlying risk, are as follows:

	Long exposure		Short exposure	
Primary underlying risk as of June 30, 2012	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Equity Price:				
Options	$ 41,098	129,357	$ 321,258	49,146
Equity swaps	601,309	84	103,122	77
Index swaps	…	…	22,577	4
Warrants	30,561	44	…	…
Futures contracts	10,894	152	101,377	1,185
Rights	4,471	4	2,733	3
	688,333	129,641	551,067	50,415
Interest Rate:				
Interest rate options	…	…	522,500	13
Interest rate swaps	…	…	3,432	6
Futures contracts	24,000	4	201,258	1,524
	24,000	4	727,190	1,543
Commodity Price:				
Futures contracts	362,544	6,065	4,498	102
Credit:				
Credit default swaps	62,364	10	52,999	10
Swaptions	2,538	2	4,798	1
	64,902	12	57,797	11
Foreign currency exchange rate:				
Options	15,550	8	…	…
Futures contracts	599,000	2	…	…
Forward contracts	432,397	61	172,109	58
	1,046,947	71	172,109	58
Total	$ 2,186,726	135,793	$ 1,512,661	52,129

	Long exposure		Short exposure	
Primary underlying risk as of June 30, 2011	**Notional amounts**	**Number of contracts**	**Notional amounts**	**Number of contracts**
Equity Price:				
Options	$ 452,013	78,604	$ 123,788	12,844
Equity swaps	543,735	94	23,173	29
Index swaps	…	…	59,833	10
Warrants	11,520	38	…	1
Futures contracts	…	…	48,939	577
Rights	1,535	4	…	…
	1,008,803	78,740	255,733	13,461
Interest Rate:				
Interest rate swaps	23,531	6	40,600	9
Futures contracts	12,000	12	168,282	1,392
	35,531	18	208,882	1,401
Commodity Price:				
Futures contracts	366,087	6,525	2,701	22
Credit:				
Credit default swaps	2,930	2	195,413	104
Swaptions	4,090	3	834	1
	7,020	5	196,247	105
Foreign currency exchange rate:				
Futures contracts	1,683,000	1,683	…	…
Forward contracts	472,786	41	237,036	21
	2,155,786	1,724	237,036	21
Total	$ 3,573,227	87,012	$ 900,599	15,010

The following tables identify the fair value amounts of derivative instruments included in investments categorized by primary underlying risk. Balances are presented on a gross basis, prior to the application of counterparty netting. Total derivative assets and liabilities, and their related gains or losses are adjusted on an aggregate basis to take into consideration the effects of master netting arrangements with its counterparties.

Primary underlying risk as of June 30, 2012	**Derivative assets**	**Derivative liabilities**	**Gain (loss)**
Equity Price:			
Options	$ 11,992	$ (660)	$ (9,842)
Equity swaps	18,821	(9,276)	22,458
Index swaps	…	(2,224)	(495)
Warrants	13,053	…	1,437
Futures contracts	291	(2,898)	(2,415)
Rights	1,057	(255)	(1,461)
	45,214	(15,313)	9,682
Interest Rate:			
Interest rate options	…	(257)	(113)
Interest rate swaps	…	(762)	(966)
Futures contracts	547	(84)	(15,392)
	547	(1,103)	(16,471)
Commodity Price:			
Futures contracts	15,001	(201)	(26,122)
Credit:			
Credit default swaps	12,503	(2,144)	13,867
Swaptions	69	(19)	(561)
	12,572	(2,163)	13,306
Foreign currency exchange rate:			
Options	60	…	(12)
Futures contracts	300	…	1,351
Forward contracts	3,935	(1,375)	(24,456)
	4,295	(1,375)	(23,117)
Total	$ 77,629	$ (20,155)	$ (42,722)

Primary underlying risk as of June 30, 2011	**Derivative assets**	**Derivative liabilities**	**Gain (loss)**
Equity Price:			
Options	$ 13,196	$ (1,969)	$ (37,379)
Equity swaps	9,352	(9,959)	85,557
Index swaps	40	(1,754)	(26,945)
Warrants	17,282	(11)	8,321
Futures contracts	…	(521)	(13,493)
Rights	1,981	…	(2,065)
	41,851	(14,214)	13,996
Interest Rate:			
Interest rate swaps	846	(895)	10
Futures contracts	600	…	(8,393)
	1,446	(895)	(8,383)
Commodity Price:			
Futures contracts	864	(2,918)	100,444
Credit:			
Credit default swaps	10,718	(1,472)	(18,736)
Swaptions	1,779	…	(600)
	12,497	(1,472)	(19,336)
Foreign currency exchange rate:			
Futures contracts	795	…	1,717
Forward contracts	3,727	(1,490)	55,391
	4,522	(1,490)	57,108
Total	$ 61,180	$ (20,989)	$ 143,829

14. Functional Expenses

Expenses are reported in the consolidated statement of activities in natural categories. Functional expenses for fiscal 2012 and fiscal 2011 were categorized as follows:

	2012	2011
Health care services	$ 1,667,957	$ 1,531,608
Instruction and departmental research	793,253	782,154
General administration	729,518	768,683
Sponsored and separately budgeted research	722,951	750,704
Auxiliary enterprises	198,555	195,601
Student services	47,316	44,518
Libraries	42,468	39,825
Student aid	42,357	39,714
Other	241,217	211,464
Total operating expenses	$ 4,485,592	$ 4,364,271

Functional expenses are shown in categories recommended by the National Association of College and University Business Officers. Duke's primary program services are health care services, instruction and departmental research, and sponsored and separately budgeted research. Expenses reported as general administration, auxiliary enterprises, student services, libraries, and student aid are incurred in support of these primary program services.

Plant operation and maintenance expense is allocated to program and supporting activities based upon periodic assessment of facilities usage. Total amounts allocated in fiscal 2012 and fiscal 2011 were $127,504 and $113,821, respectively.

15. Charity Care

DUHS provides services at a free or substantially discounted rate to patients who are approved under the guidelines of its charity care policy. Services qualifying for charity care consideration include emergent and medically necessary services as determined by a DUHS physician. Because DUHS does not pursue collection of amounts determined to qualify as charity care, such amounts are not reported as revenues. Records are maintained to identify and monitor the level of charity care provided. These records include the amount of charges foregone and estimated costs incurred for services and supplies furnished under the charity care policy. Costs incurred are estimated based on the ratio of total operating expenses to gross charges applied to charity care charges. The amount of charity care provided, based on estimated cost, was $69,093 and $64,690 during fiscal 2012 and fiscal 2011, respectively.

16. Concentration of Credit Risk

DUHS grants credit without collateral to its patients, most of whom are insured under third-party payor agreements. The related receivables at June 30, 2012 included approximately 43% and 46% from commercial payors and U.S. Government sources, respectively, and at June 30, 2011 included approximately 41% and 46%, respectively.

17. Conflicts of Interest Transactions

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.

Duke maintains written conflict of interest policies for both the University and DUHS 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 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. 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.

18. Other Revenue

During fiscal 2011, the School of Medicine sold a patent for a drug developed at Duke. Pursuant to the agreement, Duke received $90,100, which is reflected in other operating revenue on the consolidated statement of activities.

19. Subsequent Events

Duke has evaluated subsequent events from the balance sheet date through October 2, 2012, the date at which the financial statements were issued.

In August 2012, DUHS converted it's Series 1985B and Series 1993A bonds to a Bank-Bought Index Floating Rate mode.

Balance Sheet SCHEDULE 1

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
JUNE 30, 2012
(WITH COMPARATIVE FINANCIAL INFORMATION AT JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
Assets:		
Cash and cash equivalents	$ 196,704	$ 82,111
Other receivables, net	213,603	219,929
Prepaid expenses, deferred charge and inventories	46,217	149,301
Contributions receivable, net	293,841	260,834
Student loans receivable, net	40,743	41,473
Investments	7,059,144	7,460,175
Deposits with bond trustees	9,528	12,932
Land, buildings, and equipment, net	1,694,267	1,696,342
Interests in perpetual trusts held by others	647,713	684,341
Total assets	$ 10,201,760	$ 10,607,438
Liabilities:		
Accounts payable	$ 128,859	$ 120,107
Accrued payroll and employee withholdings	126,772	127,155
Deferred revenues and deposits	160,566	194,067
Notes and bonds payable	1,388,731	1,394,704
Annuity and other split-interest obligations	42,888	38,637
Accrued postretirement/postemployment and other benefit obligations	248,606	185,904
Other liabilities	180,041	178,680
Total liabilities	2,276,463	2,239,254
Net Assets:		
Unrestricted:		
Net assets controlled by Duke	3,069,863	3,431,190
Net assets related to noncontrolling interests	554,461	589,531
Total unrestricted net assets	3,624,324	4,020,721
Temporarily restricted	1,986,865	2,133,673
Permanently restricted	2,314,108	2,213,790
Total net assets	7,925,297	8,368,184
Total liabilities and net assets	$ 10,201,760	$ 10,607,438

The supplementary information in this schedule presents the balance sheet of Duke University exclusive of the financial position of Duke University Health System, Inc.

See accompanying Independent Auditors' Report.

Statement of Activities SCHEDULE 2

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
YEAR ENDED JUNE 30, 2012
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	Unrestricted Net Assets	Temporarily Restricted Net Assets	Permanently Restricted Net Assets	2012 Total	2011 Total
Operating revenues:					
Tuition and fees	$ 608,726	$ …	$ …	$ 608,726	$ 570,597
Less student aid	(237,821)	…	…	(237,821)	(216,405)
	370,905	…	…	370,905	354,192
Grants, contracts and similar agreements:					
Government sources	588,307	…	…	588,307	612,450
The Private Diagnostic Clinic, PLLC	48,638	…	…	48,638	58,573
Other	379,060	…	…	379,060	375,026
	1,016,005	…	…	1,016,005	1,046,049
Contributions	91,611	…	…	91,611	106,134
Investment return designated for current operations:					
The Duke Endowment	12,500	…	…	12,500	12,500
Endowment spending	268,709	…	…	268,709	279,132
Other investment income	56,226	…	…	56,226	136,731
Auxiliary enterprises	170,312	…	…	170,312	164,540
Other	118,101	…	…	118,101	211,532
Net assets released from restrictions	37,839	…	…	37,839	26,622
Total operating revenues	2,142,208	…	…	2,142,208	2,337,432
Operating expenses:					
Salaries and wages	1,047,426	…	…	1,047,426	1,028,911
Employee benefits	241,317	…	…	241,317	232,156
Net postretirement/postemployment benefit expense	6,360	…	…	6,360	1,489
Student aid	34,971	…	…	34,971	33,693
Other operating expenses	672,880	…	…	672,880	725,483
Interest expense	61,068	…	…	61,068	82,274
Depreciation and amortization	184,331	…	…	184,331	182,430
Total operating expenses	2,248,353	…	…	2,248,353	2,286,436
(Deficit) excess of operating revenues (under) over operating expenses	(106,145)	…	…	(106,145)	50,996
Nonoperating activities:					
Restricted contributions	…	55,750	138,441	194,191	181,132
Net assets released from restrictions	4,470	(42,309)	…	(37,839)	(26,622)
Investment return (less than) in excess of amounts designated for current operations	(138,695)	(135,601)	13,815	(260,481)	944,818
Nonperiodic changes in defined benefit plans	(162,657)	…	…	(162,657)	99,563
(Losses) gains on perpetual trusts held by others and changes in split-interest obligations	…	(203)	(40,890)	(41,093)	111,608
Other, net	1,311	(24,445)	(11,048)	(34,182)	(42,903)
Change in net assets from nonoperating activities	(295,571)	(146,808)	100,318	(342,061)	1,267,596
Transfer of net assets from DUHS	40,389	…	…	40,389	51,000
Change in net assets attributable to the University	(361,327)	(146,808)	100,318	(407,817)	1,369,592
Change in net assets related to noncontrolling interests	(35,070)	…	…	(35,070)	197,492
Change in total net assets	(396,397)	(146,808)	100,318	(442,887)	1,567,084
Net assets at beginning of year	4,020,721	2,133,673	2,213,790	8,368,184	6,801,100
Net assets at end of year	$3,624,324	$1,986,865	$2,314,108	$7,925,297	$ 8,368,184

The supplementary information in this schedule presents the statement of activities of Duke University exclusive of the operations of Duke University Health System, Inc.
See accompanying Independent Auditors' Report.

Statement of Cash Flows SCHEDULE 3

THE UNIVERSITY (SUPPLEMENTARY INFORMATION)
YEAR ENDED JUNE 30, 2012
(WITH COMPARATIVE INFORMATION FOR THE YEAR ENDED JUNE 30, 2011)
(DOLLARS IN THOUSANDS)

	2012	2011
Cash flows from operating activities:		
Change in net assets	$ (442,887)	$ 1,567,084
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Change in net assets related to noncontrolling interests, net	35,070	(197,492)
Depreciation and amortization	184,331	182,430
Nonperiodic changes in defined benefit plans	162,657	(99,563)
Provisions for bad debt	35,359	38,702
Change in fair value of derivative instruments	(1,140)	(670)
Loss on disposals of land, buildings and equipment	2,730	2,611
Contributions of property	(418)	(1,765)
Restricted contributions received for long-term investment and capital projects	(161,184)	(78,732)
Permanently restricted investment return	(13,815)	(21,820)
Net realized and unrealized losses (gains) on interests in perpetual trusts and split-interest obligations	41,093	(111,608)
Permanently restricted losses (returns) on other nonoperating items	8,918	(4,930)
Net realized and unrealized gains on investments	(6,156)	(1,341,926)
Change in:		
Other receivables, net	6,326	(40,852)
Prepaid expenses, deferred charges and inventories	(37,626)	(7,013)
Contributions receivable, net	(68,366)	(75,755)
Accounts payable	8,752	(9,574)
Accrued payrolls and employee withholdings	(383)	10,441
Deferred revenues and deposits	(33,501)	3,047
Annuity and other split-interest obligations	(214)	91
Accrued postretirement/postemployment and other benefit obligations	40,267	12,767
Other liabilities	2,501	49,280
Net cash used in operating activities	(237,686)	(125,247)

Statement of Cash Flows SCHEDULE 3 (CONTINUED)

	2012	2011
Cash flows from investing activities:		
Purchases of investments	(9,715,466)	(9,942,346)
Proceeds from sales and maturities of investments	10,101,282	10,557,979
Purchases of land, buildings and equipment	(184,244)	(157,587)
Proceeds from disposals of land, buildings and equipment	289	164
Disbursements for loans to students	(6,251)	(6,796)
Repayments of loans by students	6,981	7,949
Decrease in deposits with bond trustees	3,404	6,472
Net cash used in investing activities	205,995	465,835
Cash flows from financing activities:		
Restricted contributions received for long-term investment and capital projects	161,184	78,732
Permanently restricted investment return	13,815	21,820
Permanently restricted (losses) returns on other nonoperating items	(8,918)	4,930
Principal payments on notes and bonds payable	(6,098)	(505,558)
Proceeds from borrowings	…	13,307
Payments to noncontrolling interests	(32,082)	(15,103)
Proceeds from noncontrolling interests	18,383	120,235
Net cash provided by (used in) financing activities	146,284	(281,637)
Net change in cash and cash equivalents	114,593	58,951
Cash and cash equivalents at beginning of year	82,111	23,160
Cash and cash equivalents at end of year	$ 196,704	$ 82,111

The supplementary information in this schedule presents the statement of cash flows of Duke University exclusive of the operations of Duke University Health System, Inc.

See accompanying Independent Auditors' Report.

(UNAUDITED) (for the year ended June 30): (dollars in thousands)	2012	2011	2010
Education:			
Enrollment (fall term, in full-time equivalents):			
Undergraduate schools	6,383	6,427	6,307
Graduate and professional schools	7,977	7,595	7,093
Degrees conferred:			
Undergraduate schools	1,791	1,747	1,670
Graduate and professional schools	3,030	2,729	2,776
Research:			
Grants, contracts and similar agreements:			
Federal government sources	$ 538,232	$ 564,836	$ 535,228
Other government sources	$ 50,781	$ 48,486	$ 44,837
Other	$ 474,419	$ 472,190	$ 405,828
Patient Care:			
Adult discharges	60,758	61,000	60,951
Average adult length of stay (in days)	5.7	5.8	5.9
Number of surgical operations performed	90,156	87,705	85,512
Outpatient visits	2,016,470	1,927,635	1,811,955
Emergency room visits	172,057	169,493	164,889
Financial:			
Total assets	$ 14,171,152	$ 14,096,008	$ 12,517,174
Net assets (5)	$ 9,803,365	$ 10,311,348	$ 8,246,453
Total operating expenses	$ 4,485,592	$ 4,364,271	$ 4,035,875
Notes and bonds payable	$ 2,652,451	$ 2,353,664	$ 2,860,265
Market value of endowment (2)	$ 5,555,196	$ 5,747,377	$ 4,823,572
Endowment funds per full-time equivalent student (2)	$ 386,852	$ 409,883	$ 359,968
Long term pool/endowment total rate of return (2) (3)	1.0%	24.5%	13.2%
Physical plant:			
Capital acquisitions	$ 561,310	$ 380,703	$ 313,015
Total square feet of buildings (4)	16,333	15,851	15,522
People:			
Faculty (regular rank)	3,201	3,138	3,019
Total employees paid (1)	45,827	44,636	43,715
Total salaries and wages	$ 1,973,818	$ 1,916,436	$1,839,731
Benefits as a percentage of salaries and wages	23.4%	22.8%	21.9%

(1) Includes faculty (all ranks), staff and students compensated for service to Duke
(2) As reported to the National Association of College and University Business Officers (NACUBO). Includes endowment funds held in trust by others
(3) Net of external management fees
(4) Excluding parking garages
(5) Beginning in 2009, amounts include the net assets associated with noncontrolling interests of Duke

Duke UNIVERSITY

The Growth of Duke 2003-2012

2009	2008	2007	2006	2005	2004	2003
6,358	6,294	6,187	6,263	6,137	6,066	6,095
6,650	6,447	6,233	6,198	6,022	5,999	5,689
1,745	1,621	1,649	1,670	1,601	1,582	1,557
2,641	2,454	2,425	2,349	2,180	2,125	2,004
$ 480,328	$ 499,304	$ 509,175	$ 455,928	$ 423,645	$ 385,204	$ 346,587
$ 40,755	$ 38,257	$ 36,318	$ 33,245	$ 33,801	$ 27,818	$ 24,856
$ 372,251	$ 331,264	$ 260,389	$ 258,409	$ 255,325	$ 233,570	$ 227,664
60,846	59,555	59,210	58,914	60,582	59,536	59,302
5.8	5.9	5.8	5.8	5.6	5.6	5.6
81,233	78,656	83,959	87,340	74,777	72,958	69,624
1,616,956	1,488,278	1,412,726	1,352,643	1,297,618	1,219,013	1,161,090
161,201	151,649	141,598	137,015	137,872	135,923	139,499
$ 11,529,700	$ 13,673,323	$ 12,697,506	$ 10,296,044	$ 9,152,192	$ 8,035,107	$ 7,338,216
$ 7,656,301	$ 10,524,241	$ 10,029,164	$ 7,895,106	$ 6,826,606	$ 6,053,528	$ 5,298,555
$ 3,900,094	$ 3,608,354	$ 3,402,710	$ 3,171,508	$ 2,880,214	$ 2,630,409	$ 2,474,940
$ 2,579,924	$ 1,774,661	$ 1,593,396	$ 1,339,918	$ 1,248,187	$ 981,508	$ 941,097
$ 4,440,745	$ 6,123,744	$ 5,910,280	$ 4,497,718	$ 3,826,153	$ 3,313,859	$ 3,017,261
$ 341,386	$ 480,633	$ 475,868	$ 360,944	$ 314,677	$ 274,667	$ 256,047
(24.3%)	6.2%	25.6%	20.2%	18.1%	18.0%	6.6%
$ 392,917	$ 367,851	$ 366,568	$ 402,331	$ 371,865	$ 329,975	$ 281,876
15,622	15,205	14,827	14,224	13,518	13,290	12,996
2,877	2,730	2,664	2,583	2,524	2,477	2,364
42,736	41,599	40,497	39,311	37,680	36,632	36,048
$ 1,772,762	$ 1,653,613	$ 1,554,660	$ 1,424,905	$ 1,322,176	$ 1,251,313	$ 1,160,483
21.6%	19.8%	19.5%	21.3%	21.5%	20.5%	21.2%

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