



# Mayo Clinic

Unaudited Condensed Consolidated Financial Reports  
September 30, 2021



# Mayo Clinic

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**Condensed Consolidated Statements of Financial Position**  
**(In Millions)**

	<b>September 30, 2021 Unaudited</b>	December 31, 2020
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 48	\$ 72
Accounts receivable for medical services	1,889	1,756
Securities lending collateral	4	2
Other receivables	643	576
Other current assets	285	252
<b>Total current assets</b>	<u>2,869</u>	<u>2,658</u>
Investments	17,495	14,320
Investments under securities lending agreement	82	38
Other long-term assets	1,344	1,204
Property, plant and equipment, net	5,151	4,964
<b>Total assets</b>	<u>\$ 26,941</u>	<u>\$ 23,184</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 547	\$ 584
Accrued payroll	1,023	797
Accrued employee benefits	160	163
Deferred revenue	63	90
Long-term variable-rate debt	760	620
Mandatory tender debt	135	135
Securities lending payable	4	2
Other current liabilities	483	470
<b>Total current liabilities</b>	<u>3,175</u>	<u>2,861</u>
Long-term debt, net of current portion	3,452	3,097
Accrued pension and postretirement benefits, net of current portion	2,751	2,897
Other long-term liabilities	2,119	1,964
<b>Total liabilities</b>	<u>11,497</u>	<u>10,819</u>
Net assets:		
Without donor restrictions	10,270	8,016
With donor restrictions	5,174	4,349
<b>Total net assets</b>	<u>15,444</u>	<u>12,365</u>
<b>Total liabilities and net assets</b>	<u>\$ 26,941</u>	<u>\$ 23,184</u>

See notes to condensed consolidated financial statements.



**Condensed Consolidated Statements of Activities  
Unaudited (in Millions)**

	Three Months Ended September 30, 2021			Three Months Ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 3,402	\$ —	\$ 3,402	\$ 3,107	\$ —	\$ 3,107
Grants and contracts	156	—	156	142	—	142
Investment return allocated to current activities	62	7	69	58	3	61
Contributions available for current activities	23	99	122	10	44	54
Other	269	—	269	287	—	287
Net assets released from restrictions	58	(58)	—	56	(56)	—
<b>Total revenue, gains and other support</b>	<b>3,970</b>	<b>48</b>	<b>4,018</b>	<b>3,660</b>	<b>(9)</b>	<b>3,651</b>
Expenses:						
Salaries and benefits	2,246	—	2,246	2,073	—	2,073
Supplies and services	1,179	—	1,179	1,048	—	1,048
Depreciation and amortization	155	—	155	154	—	154
Facilities	77	—	77	59	—	59
Finance and investment	37	—	37	29	—	29
<b>Total expenses</b>	<b>3,694</b>	<b>—</b>	<b>3,694</b>	<b>3,363</b>	<b>—</b>	<b>3,363</b>
<b>Income from current activities</b>	<b>276</b>	<b>48</b>	<b>324</b>	<b>297</b>	<b>(9)</b>	<b>288</b>
Noncurrent and other items:						
Contributions not available for current activities, net	(2)	26	24	(6)	52	46
Unallocated investment return, net	341	132	473	460	187	647
Income tax expense	(5)	—	(5)	(10)	—	(10)
Benefit credit	15	—	15	16	—	16
Other	1	—	1	—	—	—
<b>Total noncurrent and other items</b>	<b>350</b>	<b>158</b>	<b>508</b>	<b>460</b>	<b>239</b>	<b>699</b>
<b>Increase in net assets before other changes in net assets</b>	<b>626</b>	<b>206</b>	<b>832</b>	<b>757</b>	<b>230</b>	<b>987</b>
Pension and other postretirement benefit adjustments	72	—	72	51	—	51
<b>Increase in net assets</b>	<b>698</b>	<b>206</b>	<b>904</b>	<b>808</b>	<b>230</b>	<b>1,038</b>
Net assets at beginning of period	9,572	4,968	14,540	6,489	3,788	10,277
Net assets at end of period	\$ 10,270	\$ 5,174	\$ 15,444	\$ 7,297	\$ 4,018	\$ 11,315

See notes to condensed consolidated financial statements.



## Condensed Consolidated Statements of Activities Unaudited (in Millions)

	Nine Months Ended September 30, 2021			Nine Months Ended September 30, 2020		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 9,894	\$ —	\$ 9,894	\$ 8,342	\$ —	\$ 8,342
Grants and contracts	447	—	447	411	—	411
Investment return allocated to current activities	170	19	189	169	21	190
Contributions available for current activities	51	218	269	43	134	177
Other	914	—	914	855	—	855
Net assets released from restrictions	200	(200)	—	153	(153)	—
<b>Total revenue, gains and other support</b>	<b>11,676</b>	<b>37</b>	<b>11,713</b>	<b>9,973</b>	<b>2</b>	<b>9,975</b>
Expenses:						
Salaries and benefits	6,576	—	6,576	5,951	—	5,951
Supplies and services	3,326	—	3,326	2,924	—	2,924
Depreciation and amortization	459	—	459	456	—	456
Facilities	226	—	226	193	—	193
Finance and investment	108	—	108	96	—	96
<b>Total expenses</b>	<b>10,695</b>	<b>—</b>	<b>10,695</b>	<b>9,620</b>	<b>—</b>	<b>9,620</b>
<b>Income from current activities</b>	<b>981</b>	<b>37</b>	<b>1,018</b>	<b>353</b>	<b>2</b>	<b>355</b>
Noncurrent and other items:						
Contributions not available for current activities, net	(15)	212	197	(18)	192	174
Unallocated investment return, net	1,057	576	1,633	102	109	211
Income tax expense	(32)	—	(32)	(24)	—	(24)
Benefit credit	46	—	46	47	—	47
Other	1	—	1	4	—	4
<b>Total noncurrent and other items</b>	<b>1,057</b>	<b>788</b>	<b>1,845</b>	<b>111</b>	<b>301</b>	<b>412</b>
<b>Increase in net assets before other changes in net assets</b>	<b>2,038</b>	<b>825</b>	<b>2,863</b>	<b>464</b>	<b>303</b>	<b>767</b>
Pension and other postretirement benefit adjustments	216	—	216	154	—	154
<b>Increase in net assets</b>	<b>2,254</b>	<b>825</b>	<b>3,079</b>	<b>618</b>	<b>303</b>	<b>921</b>
Net assets at beginning of period	8,016	4,349	12,365	6,679	3,715	10,394
Net assets at end of period	\$ 10,270	\$ 5,174	\$ 15,444	\$ 7,297	\$ 4,018	\$ 11,315

See notes to condensed consolidated financial statements.



**Condensed Consolidated Statements of Cash Flows  
Unaudited (In Millions)**

	<b>Nine Months Ended September 30, 2021</b>	<b>Nine Months Ended September 30, 2020</b>
<b>Cash flows from operating activities:</b>		
Cash from medical services	\$ 9,042	\$ 7,871
Cash from external lab services	719	586
Cash from grants and contracts	459	429
Cash from benefactors	171	159
Cash from other activities	759	1,010
Cash for salaries and benefits	(6,129)	(5,421)
Cash for supplies, services, and facilities	(3,622)	(3,161)
Interest and dividends received	130	56
Interest paid	(63)	(60)
Income taxes paid	(65)	(24)
<b>Net cash provided by operating activities</b>	<b>1,401</b>	<b>1,445</b>
<b>Cash flows from investing activities:</b>		
Purchase of property, plant and equipment	(615)	(495)
Purchases of investments	(5,440)	(4,840)
Sales and maturities from investments	4,018	3,310
Investment in joint ventures	(43)	(50)
<b>Net cash used in investing activities</b>	<b>(2,080)</b>	<b>(2,075)</b>
<b>Cash flows from financing activities:</b>		
Restricted gifts, bequests and other	164	148
Borrowing on long-term debt	500	630
Payment of long-term debt	(4)	(145)
Medicare advance payments	—	915
Return of medicare advance payments	—	(915)
Payment on leases	(5)	—
<b>Net cash provided by financing activities</b>	<b>655</b>	<b>633</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(24)</b>	<b>3</b>
Cash and cash equivalents at beginning of period	72	48
Cash and cash equivalents at end of period	<b>\$ 48</b>	<b>\$ 51</b>

See notes to condensed consolidated financial statements.



## Notes to Unaudited Condensed Consolidated Financial Statements September 30, 2021 (in Millions)

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### Note 1. Basis of Presentation

Mayo Clinic (the Clinic) and its Arizona, Florida, Iowa, Minnesota and Wisconsin affiliates provide comprehensive medical care and education in clinical medicine and medical sciences and conduct extensive programs in medical research. The Clinic and its affiliates also provide hospital and outpatient services, and at each major location, the clinical practice is closely integrated with advanced education and research programs. The Clinic has been determined to qualify as a tax-exempt organization under Section 501(c) (3) of the Internal Revenue Code (Code) and as a public charity under Section 509(a) (2) of the Code. Included in the Clinic's condensed consolidated financial statements are all of its wholly owned or wholly controlled subsidiaries, which include both tax-exempt and taxable entities. All significant intercompany transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included and are of a normal and recurring nature. Operating results for the nine months ended September 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2020.

Certain reclassifications have been made to the 2020 condensed consolidated financial statements to conform with classifications used in 2021. The reclassifications had no significant effect on total assets, total liabilities, total revenue or total change in net assets previously reported.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. Although estimates are considered to be fairly stated at the time the estimates are made, actual results could differ from those estimates.

### Note 2. New Accounting Standards

Effective January 1, 2021, the Clinic adopted FASB Accounting Standards Update (ASU) No. 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans (Topic 715)*. This ASU modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The adoption of this ASU did not materially impact the condensed consolidated financial statements.

Effective January 1, 2021, the Clinic adopted FASB ASU No. 2018-15, *Intangibles - Goodwill and Other, Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract*. This ASU aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The adoption of this ASU did not materially impact the condensed consolidated financial statements.



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 2. New Accounting Standards (Continued)**

New Accounting Standards Not Yet Adopted:

In September, 2020, the FASB issued ASU No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU requires presentation of contributed nonfinancial assets as a separate line in the consolidated statement of activities, apart from contributions of cash or other financial assets. The ASU is effective January 1, 2022 and will be applied on a retrospective basis.

The Clinic is currently assessing the impact of the preceding unadopted ASU on its condensed consolidated financial statements.





## Notes to Unaudited Condensed Consolidated Financial Statements

### September 30, 2021 (in Millions)

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#### Note 3. Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date, are comprised of the following at September 30, 2021 and December 31, 2020:

	September 30, 2021	December 31, 2020
Cash and cash equivalents	\$ 48	\$ 72
Accounts receivable	1,889	1,756
Promises to give	297	234
Grants receivable	122	134
Other receivables	224	208
Investments	11,116	8,878
Total financial assets available within one year	<u>\$ 13,696</u>	<u>\$ 11,282</u>

#### Note 4. Medical Service Revenue

Medical service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts, representing transaction prices, are due from patients, third-party payors (including health insurers and government programs), and others and includes variable consideration for retroactive revenue adjustments due to settlement of audits, reviews, and investigations. Generally, the Clinic bills the patients and third-party payors several days after the services are performed and/or the patient is discharged from the facility. Revenue is recognized as performance obligations are satisfied.

Performance obligations are determined based on the nature of the services provided by the Clinic. Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected (or actual) charges. The Clinic believes that this method provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Generally, performance obligations satisfied over time relate to patients in the Clinic's hospital receiving inpatient acute care services. The Clinic measures the performance obligation from admission into the hospital to the point when it is no longer required to provide services to that patient, which is generally at the time of discharge. Revenue for performance obligations satisfied at a point in time is recognized when goods or services are provided and the Clinic does not believe it is required to provide additional goods or services to the patient.

Because all of its performance obligations relate to contracts with a duration of less than one year, the Clinic has elected to apply the optional exemption provided in FASB ASC 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to inpatient acute care services at the end of the reporting period. The performance obligations for these contracts are generally completed when the patients are discharged, which generally occurs within days or weeks of the end of the reporting period.

The Clinic determines the transaction price based on standard charges for goods and services provided to patients, reduced by contractual adjustments provided to third-party payors, discounts provided to uninsured patients in accordance with the Clinic's policy, and/or implicit price concessions based on historical collection experience.



## Notes to Unaudited Condensed Consolidated Financial Statements

### September 30, 2021 (in Millions)

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#### Note 4. Medical Service Revenue (Continued)

Agreements with third-party payors typically provide for payments at amounts less than established charges. A summary of the payment arrangements with major third-party payors follows:

- **Medicare:** Certain inpatient acute care services are paid at prospectively determined rates per discharge based on clinical, diagnostic and other factors. Certain services are paid based on cost-reimbursement methodologies subject to certain limits. Physician services are paid based upon established fee schedules. Outpatient services are paid using prospectively determined rates.
- **Medicaid:** Reimbursements for Medicaid services are generally paid at prospectively determined rates per discharge, per occasion of service, or per covered member.
- **Other:** Payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations provide for payment using prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Laws and regulations concerning government programs, including Medicare and Medicaid, are complex and subject to varying interpretation. As a result of investigations by governmental agencies, various health care organizations have received requests for information and notices regarding alleged noncompliance with those laws and regulations, which, in some instances, have resulted in organizations entering into significant settlement agreements. Compliance with such laws and regulations may also be subject to future government review and interpretation as well as significant regulatory action, including fines, penalties, and potential exclusion from the related programs. There can be no assurance that regulatory authorities will not challenge the Clinic's compliance with these laws and regulations, and it is not possible to determine the impact (if any) such claims or penalties would have upon the Clinic. In addition, the contracts that the Clinic has with commercial payors also provide for retroactive audit and review of claims.

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Clinic also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Clinic estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to medical service revenue in the period of the change. For the three and nine months ended September 30, 2021 and 2020, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the three and nine months ended September 30, 2021 and 2020 was not significant.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Clinic's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available), or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the three and nine months ended September 30, 2021 or 2020.



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 4. Medical Service Revenue (Continued)**

Patients who meet the Clinic's criteria for charity care are provided care without charge or at amounts less than established rates. Such amounts which are determined to qualify as charity care are not reported as revenue.

The composition of medical service revenue based on the regions of the country in which the Clinic operates in, its lines of business, and timing of revenue recognition for the three months ended September 30, 2021 and 2020 are as follows:

	Three Months Ended September 30, 2021			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,332	\$ 252	\$ 295	\$ 1,879
Clinic	848	206	225	1,279
Senior Care and Nursing Home	5	—	—	5
Other	15	1	—	16
Total patient care service revenue	2,200	459	520	3,179
External lab	223	—	—	223
Total medical service revenue	<u>\$ 2,423</u>	<u>\$ 459</u>	<u>\$ 520</u>	<u>\$ 3,402</u>

Timing of revenue and recognition:

At time services are rendered	\$ 1,086	\$ 207	\$ 225	\$ 1,518
Services transferred over time	1,337	252	295	1,884
Total	<u>\$ 2,423</u>	<u>\$ 459</u>	<u>\$ 520</u>	<u>\$ 3,402</u>

	Three Months Ended September 30, 2020			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,190	\$ 220	\$ 273	\$ 1,683
Clinic	795	175	182	1,152
Senior Care and Nursing Home	4	—	—	4
Other	13	1	—	14
Total patient care service revenue	2,002	396	455	2,853
External lab	254	—	—	254
Total medical service revenue	<u>\$ 2,256</u>	<u>\$ 396</u>	<u>\$ 455</u>	<u>\$ 3,107</u>

Timing of revenue and recognition:

At time services are rendered	\$ 1,062	\$ 176	\$ 182	\$ 1,420
Services transferred over time	1,194	220	273	1,687
Total	<u>\$ 2,256</u>	<u>\$ 396</u>	<u>\$ 455</u>	<u>\$ 3,107</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 4. Medical Service Revenue (Continued)**

The composition of medical service revenue based on the regions of the country in which the Clinic operates in, its lines of business, and timing of revenue recognition for the nine months ended September 30, 2021 and 2020 are as follows:

	Nine Months Ended September 30, 2021			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 3,789	\$ 737	\$ 861	\$ 5,387
Clinic	2,498	601	680	3,779
Senior Care and Nursing Home	12	—	—	12
Other	40	1	—	41
Total patient care service revenue	6,339	1,339	1,541	9,219
External lab	675	—	—	675
Total medical service revenue	<u>\$ 7,014</u>	<u>\$ 1,339</u>	<u>\$ 1,541</u>	<u>\$ 9,894</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 3,213	\$ 602	\$ 680	\$ 4,495
Services transferred over time	3,801	737	861	5,399
Total	<u>\$ 7,014</u>	<u>\$ 1,339</u>	<u>\$ 1,541</u>	<u>\$ 9,894</u>

	Nine Months Ended September 30, 2020			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 3,210	\$ 606	\$ 769	\$ 4,585
Clinic	2,101	462	517	3,080
Senior Care and Nursing Home	12	—	—	12
Other	36	1	—	37
Total patient care service revenue	5,359	1,069	1,286	7,714
External lab	628	—	—	628
Total medical service revenue	<u>\$ 5,987</u>	<u>\$ 1,069</u>	<u>\$ 1,286</u>	<u>\$ 8,342</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 2,765	\$ 463	\$ 517	\$ 3,745
Services transferred over time	3,222	606	769	4,597
Total	<u>\$ 5,987</u>	<u>\$ 1,069</u>	<u>\$ 1,286</u>	<u>\$ 8,342</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 4. Medical Service Revenue (Continued)**

Hospital revenue includes a variety of services mainly covering inpatient procedures requiring overnight stays or outpatient operations that require anesthesia or use of complex diagnostic and surgical equipment as well as emergency care for traumas and other critical conditions. Clinic revenue includes services primarily focused on the care of outpatients covering primary and specialty health care needs.

The Clinic's practice is to record certain radiology, pathology and other hospital related services in the Midwest region as clinic revenue which amounted to \$248 and \$238, respectively, for the three months ended September 30, 2021 and 2020 and \$720 and \$656, respectively, for the nine months ended September 30, 2021 and 2020. Examples of revenue at time services are rendered include clinical services, lab and transport, and services transferred over time include hospital and senior care revenue.

The composition of medical service revenue by payor for the three months ended September 30 is as follows:

	2021	2020
Medicare	\$ 856	\$ 761
Medicaid	129	99
Contract	1,960	1,835
Other, including self-pay	457	412
Total	<u>\$ 3,402</u>	<u>\$ 3,107</u>

The composition of medical service revenue by payor for the nine months ended September 30 is as follows:

	2021	2020
Medicare	\$ 2,501	\$ 2,088
Medicaid	349	280
Contract	5,727	4,950
Other, including self-pay	1,317	1,024
Total	<u>\$ 9,894</u>	<u>\$ 8,342</u>

The Clinic's practice is to assign a patient to the primary payor and not reflect other uninsured balances (for example, coinsurance and deductibles) as self-pay. Therefore the payors listed above contain patient responsibility components, such as coinsurance and deductibles.

**Financing component:**

The Clinic has elected the practical expedient allowed under FASB ASU 2014-09, *Revenue from Contracts with Customers (Topic 606-10-32-18)* and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the Clinic's expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. However, the Clinic does, in certain instances, enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract.



## Notes to Unaudited Condensed Consolidated Financial Statements September 30, 2021 (in Millions)

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### Note 5. Investments

Investments in equity, debt securities, and alternative investments are recorded at fair value. Realized gains and losses are calculated based on the average cost method. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are included in the condensed consolidated statements of activities.

Alternative investments (principally limited partnership interests in absolute return, hedge, private equity, real estate and natural resources funds), represents the Clinic's ownership interest in the net asset value (NAV) of the respective partnership. The investments in alternative investments may individually expose the Clinic to securities lending, short sales, and trading in futures and forward contract options and other derivative products. The Clinic's risk is limited to the investment's carrying value.

From time to time, the Clinic invests directly in certain derivative contracts that do not qualify for hedge accounting and are recorded at fair value in investments. Changes in fair value are reported as a component of net unrealized gains or losses in the investment returns. These contracts are used in the Clinic's investment management program to minimize certain investment risks. For the three and nine months ended September 30, 2021 and 2020, the realized and unrealized gain/loss from derivative contracts was not significant.

It is the Clinic's intent to maintain a long-term investment portfolio to support research, education and other activities. Accordingly, the total investment return is reported in the condensed consolidated statements of activities in two categories. The investment return allocated to current activities is determined by a formula, which involves allocating five percent of a three-year moving average of investments related to endowments, and the matching of financing costs for the assets required for operations. Management believes this return is approximately equal to the real return that the Clinic expects to earn on its investments over the long term. The unallocated investment return, included in noncurrent and other items in the condensed consolidated statements of activities, represents the difference between the total investment return and the amount allocated to current activities, net of investment costs.



## Notes to Unaudited Condensed Consolidated Financial Statements

### September 30, 2021 (in Millions)

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#### Note 6. Fair Value Measurements

The Clinic holds certain financial instruments that are required to be measured at fair value on a recurring basis. The valuation techniques used to measure fair value under the *Fair Value Measurement (Topic 820)* of the FASB ASC 820 are based upon observable and unobservable inputs. The standard establishes a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

**Level 1:** Inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets.

**Level 2:** Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument.

**Level 3:** Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Clinic's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers within Levels for the nine months ended September 30, 2021 and 2020.



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 6. Fair Value Measurements (Continued)**

The following tables present the financial instruments carried at fair value as of September 30, 2021 and December 31, 2020, by caption on the condensed consolidated statements of financial position categorized by the valuation hierarchy and NAV:

	September 30, 2021				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
<b>Assets:</b>					
Securities lending collateral	\$ 4	\$ —	\$ —	\$ —	\$ 4
<b>Investments:</b>					
Cash and cash equivalents	2,713	338	—	—	3,051
<b>Fixed-income securities:</b>					
U.S. government	—	465	—	—	465
U.S. government agencies	—	566	—	—	566
U.S. corporate	—	871	—	—	871
Foreign	—	76	—	—	76
<b>Common and preferred stocks:</b>					
U.S.	1,011	—	—	—	1,011
Foreign	620	—	23	—	643
<b>Funds:</b>					
Fixed-income	432	—	—	—	432
Equities	978	679	—	—	1,657
Other investments	—	—	—	—	—
Less securities under lending agreement	(82)	—	—	—	(82)
Investments at NAV	—	—	—	8,805	8,805
Total investments	5,672	2,995	23	8,805	17,495
Investments under securities lending agreement	82	—	—	—	82
<b>Other long-term assets:</b>					
Trust receivables	79	31	91	—	201
Technology-based ventures	—	—	77	—	77
Total other long-term assets	79	31	168	—	278
Total assets at fair value	\$ 5,837	\$ 3,026	\$ 191	\$ 8,805	\$ 17,859
<b>Liabilities:</b>					
Securities lending payable	\$ 4	\$ —	\$ —	\$ —	\$ 4
Total liabilities at fair value	\$ 4	\$ —	\$ —	\$ —	\$ 4





**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 6. Fair Value Measurements (Continued)**

	December 31, 2020				Total Fair Value
	Level 1	Level 2	Level 3	NAV	
<b>Assets:</b>					
Securities lending collateral	\$ 2	\$ —	\$ —	\$ —	\$ 2
<b>Investments:</b>					
Cash and cash equivalents	1,980	185	—	—	2,165
<b>Fixed-income securities:</b>					
U.S. government	—	450	—	—	450
U.S. government agencies	—	439	—	—	439
U.S. corporate	—	648	15	—	663
Foreign	—	46	—	—	46
<b>Common and preferred stocks:</b>					
U.S.	870	—	—	—	870
Foreign	529	—	25	—	554
<b>Funds:</b>					
Fixed-income	451	10	—	—	461
Equities	830	590	—	—	1,420
Other investments	—	—	—	—	—
Less securities under lending agreement	(38)	—	—	—	(38)
Investments at NAV	—	—	—	7,290	7,290
Total investments	4,622	2,368	40	7,290	14,320
Investments under securities lending agreement	38	—	—	—	38
<b>Other long-term assets:</b>					
Trust receivables	74	29	83	—	186
Technology-based ventures	—	—	81	—	81
Total other long-term assets	74	29	164	—	267
Total assets at fair value	\$ 4,736	\$ 2,397	\$ 204	\$ 7,290	\$ 14,627
<b>Liabilities:</b>					
Securities lending payable	\$ 2	\$ —	\$ —	\$ —	\$ 2
Total liabilities at fair value	\$ 2	\$ —	\$ —	\$ —	\$ 2



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 6. Fair Value Measurements (Continued)**

The following is a description of the Clinic's valuation methodologies for assets and liabilities measured at fair value. Fair value for Level 1 is based upon quoted market prices. Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources, including market participants, dealers and brokers. Level 3 consists of trusts recorded at fair value based on the underlying value of the assets in the trust or discounted cash flow of the expected payment streams. The trusts reported as Level 3 are primarily perpetual trusts managed by third parties invested in stocks, mutual funds, and fixed-income securities that are traded in active markets with observable inputs, and since the Clinic will never receive the trust assets, these perpetual trusts are reported as Level 3. In addition, technology-based ventures, comprised primarily of shares in start-up companies, are recorded at fair value based on inputs relying on factors such as the financial performance of the company, sales performance, financial projections, sales projections, management representation, industry developments, market analysis, and any other pertinent factors which would affect the fair value or based on the quoted price of an otherwise identical unrestricted security of the same issuer, adjusted for the effect of the restriction.

The methods described above and those recorded at NAV may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Clinic believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The carrying values of cash and cash equivalents, short-term investments, accounts receivable, other current assets, and accounts payable are reasonable estimates of their fair value due to the short-term nature of these financial instruments. The estimated fair value of long-term debt, based on quoted market prices for the same or similar issues (Level 2), was approximately \$510 and \$572 more than its carrying value at September 30, 2021 and December 31, 2020, respectively. Other long-term assets and liabilities have a carrying value that approximates fair value.

The following information pertains to those alternative investments recorded at NAV in accordance with the *Fair Value Measurement (Topic 820)* of the FASB ASC.

At September 30, 2021, alternative investments recorded at NAV consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return/hedge funds (a)	\$ 3,896	\$ 63	Monthly to annually	30–90 days
Private partnerships (b)	4,909	1,532		
Total alternative investments	<u>\$ 8,805</u>	<u>\$ 1,595</u>		



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 6. Fair Value Measurements (Continued)**

At December 31, 2020, alternative investments recorded at NAV consisted of the following:

	Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return/hedge funds (a)	\$ 3,421	\$ 99	Monthly to annually	30–90 days
Private partnerships (b)	3,869	1,447		
Total alternative investments	<u>\$ 7,290</u>	<u>\$ 1,546</u>		

(a) This category includes investments in absolute return/hedge funds, which are actively managed commingled investment vehicles that derive the majority of their returns from factors other than the directional flow of the markets in which they invest. Representative strategies include high-yield credit, distressed debt, merger arbitrage, relative value, and long-short equity strategies. The fair values of the investments in this category have been estimated using the NAV per share of the investments. Investments in this category generally carry “lockup” restrictions that do not allow investors to seek redemption in the first year after acquisition. Following the initial lockup period, liquidity is generally available monthly, quarterly or annually following a redemption request. Over 90 percent of the investments in this category have at least annual liquidity.

(b) This category includes limited partnership interests in closed-end funds that focus on venture capital, private equity, real estate and resource-related strategies. The fair values of the investments in this category have been estimated using the NAV of the Clinic’s ownership interest in partners’ capital. Distributions from each fund will be received as the underlying investments of the funds are liquidated. It is estimated that the underlying assets of most funds will generally be liquidated over a seven- to ten-year period.

**Note 7. Securities Lending**

The Clinic has an arrangement with its investment custodian to lend Clinic securities to approved brokers in exchange for a fee. Among other provisions that limit the Clinic’s risk, the securities lending agreement specifies that the custodian is responsible for lending securities and obtaining adequate collateral from the borrower. Collateral is limited to cash, government securities, and irrevocable letters of credit. Investments are loaned to various brokers and are returnable on demand. In exchange, the Clinic receives collateral. The cash collateral is shown as both an asset and a liability on the condensed consolidated statements of financial position.

At September 30, 2021 and December 31, 2020, the aggregate market value of securities on loan under securities lending agreements totaled \$82 and \$38, respectively, and the total value of the collateral supporting the securities is \$86 and \$39, respectively, which represents 104 percent of the value of the securities on loan at September 30, 2021 and December 31, 2020. The cash portion of the collateral supporting the securities as of September 30, 2021 and December 31, 2020, is \$4 and \$2 respectively. Noncash collateral provided to the Clinic is not recorded in the condensed consolidated statements of financial position, as the collateral may not be sold or repledged. The Clinic’s claim on such collateral is limited to the market value of loaned securities. In the event of nonperformance by the other parties to the securities lending agreements, the Clinic could be exposed to a loss.



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 8. Financing**

In April 2021, the Clinic issued bonds in the amount of \$500 with a 3.196 percent fixed rate of interest. The bonds are due in 2061 and will be used for general corporate purposes.

**Note 9. Board-Designated Funds**

Board-designated funds are included in net assets without donor restrictions and are subject to expenditure for the following purposes for the periods ended:

	September 30, 2021	December 31, 2020
Research	\$ 1,504	\$ 1,269
Education	347	296
Buildings and equipment	4	3
Charity care	14	11
Clinical	187	166
Other	1,249	1,061
Total designation for specified purpose	<u>\$ 3,305</u>	<u>\$ 2,806</u>

Board designated funds were classified as follows for the periods ended:

	September 30, 2021	December 31, 2020
Quasi endowments	\$ 3,126	\$ 2,694
Professional liability reserve	137	112
Other reserves	42	—
Total	<u>\$ 3,305</u>	<u>\$ 2,806</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 10. Net Assets with Donor Restrictions**

The Clinic receives contributions in support of research, education and clinical activities. Net assets with donor restrictions were available for the following purposes:

	<u>September 30, 2021</u>	<u>December 31, 2020</u>
Subject to expenditure for specified purposes:		
Research	\$ 493	\$ 443
Education	50	42
Buildings and equipment	284	226
Charity care	38	36
Clinical	67	58
Other	40	37
Total expenditure for specified purposes	<u>972</u>	<u>842</u>
Subject to passage of time:		
Pledges and trusts	<u>638</u>	<u>470</u>
Endowments:		
Perpetual in nature:		
Research	1,115	1,078
Education	244	229
Charity care	14	14
Clinical	202	195
Other	29	29
Pledges and trusts	282	293
Total perpetual in nature	<u>1,886</u>	<u>1,838</u>
Subject to endowment spending policy:		
Research	971	670
Education	415	320
Charity care	49	36
Clinical	195	135
Other	48	38
Total subject to endowment spending policy	<u>1,678</u>	<u>1,199</u>
Total endowments	<u>3,564</u>	<u>3,037</u>
Total net assets with donor restrictions	<u>\$ 5,174</u>	<u>\$ 4,349</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 10. Net Assets with Donor Restrictions (Continued)**

Net assets were released from donor restrictions as expenditures were made, which satisfied the following restricted purposes for the three months ended ended September 30:

	2021	2020
Research	\$ 50	\$ 49
Education	6	5
Buildings and equipment	—	—
Other	2	2
Total net assets released from donor restrictions	<u>\$ 58</u>	<u>\$ 56</u>

Net assets were released from donor restrictions as expenditures were made, which satisfied the following restricted purposes for the nine months ended ended September 30:

	2021	2020
Research	\$ 116	\$ 104
Education	17	16
Buildings and equipment	52	2
Other	15	31
Total net assets released from donor restrictions	<u>\$ 200</u>	<u>\$ 153</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 11. Functional Expenses**

The condensed consolidated financial statements present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Benefits and payroll taxes are allocated based on factors of either salary expense or hours worked. Overhead costs that include professional services, office expenses, information technology, interest, insurance, and other similar expenses are allocated based on a variety of factors including revenues, hours worked, and salary expense. Costs related to space including occupancy, depreciation and amortization, and property taxes are allocated on a square footage basis.

The expenses reported in the condensed consolidated statements of activities for the three months ended September 30, 2021 and 2020, supported the following programs and functions:

	2021							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 1,912	\$ 46	\$ 167	\$ 85	\$ 24	\$ 6	\$ 6	\$ 2,246
Supplies and services	817	256	66	15	3	2	20	1,179
Depreciation and amortization	129	2	17	2	3	1	1	155
Facilities	63	1	4	4	5	—	—	77
Finance & investment	38	—	4	—	1	—	(6)	37
<b>Total</b>	<b>\$ 2,959</b>	<b>\$ 305</b>	<b>\$ 258</b>	<b>\$ 106</b>	<b>\$ 36</b>	<b>\$ 9</b>	<b>\$ 21</b>	<b>\$ 3,694</b>

	2020							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 1,738	\$ 42	\$ 144	\$ 76	\$ 15	\$ 4	\$ 54	\$ 2,073
Supplies and services	690	267	55	13	7	1	15	1,048
Depreciation and amortization	127	2	17	3	3	1	1	154
Facilities	47	2	4	2	4	—	—	59
Finance & investment	36	—	4	—	1	—	(12)	29
<b>Total</b>	<b>\$ 2,638</b>	<b>\$ 313</b>	<b>\$ 224</b>	<b>\$ 94</b>	<b>\$ 30</b>	<b>\$ 6</b>	<b>\$ 58</b>	<b>\$ 3,363</b>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

**Note 11. Functional Expenses (Continued)**

The expenses reported in the condensed consolidated statements of activities for the nine months ended September 30, 2021 and 2020, supported the following programs and functions:

	2021							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 5,512	\$ 138	\$ 492	\$ 244	\$ 68	\$ 13	\$ 109	\$ 6,576
Supplies and services	2,294	762	181	42	4	5	38	3,326
Depreciation and amortization	383	6	49	8	10	1	2	459
Facilities	185	3	12	9	16	—	1	226
Finance & investment	113	1	13	1	1	—	(21)	108
<b>Total</b>	<b>\$ 8,487</b>	<b>\$ 910</b>	<b>\$ 747</b>	<b>\$ 304</b>	<b>\$ 99</b>	<b>\$ 19</b>	<b>\$ 129</b>	<b>\$ 10,695</b>

	2020							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 5,051	\$ 124	\$ 447	\$ 224	\$ 35	\$ 12	\$ 58	\$ 5,951
Supplies and services	1,973	704	156	40	11	3	37	2,924
Depreciation and amortization	382	6	48	9	8	1	2	456
Facilities	159	4	12	7	10	—	1	193
Finance & investment	105	1	13	1	1	—	(25)	96
<b>Total</b>	<b>\$ 7,670</b>	<b>\$ 839</b>	<b>\$ 676</b>	<b>\$ 281</b>	<b>\$ 65</b>	<b>\$ 16</b>	<b>\$ 73</b>	<b>\$ 9,620</b>





**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 12. Employee Benefit Programs**

The Clinic serves as plan sponsor for several defined-benefit pension funds and other postretirement benefits.

Components of net periodic benefit cost for the three months ended September 30 are as follows for the defined-benefit pension plans:

	Qualified	
	2021	2020
Service cost	\$ 173	\$ 138
Interest cost	88	93
Expected return on plan assets	(183)	(169)
Amortization of unrecognized:		
Prior service benefit	(13)	(13)
Net actuarial loss	77	61
Net periodic benefit cost	<u>\$ 142</u>	<u>\$ 110</u>

Components of net periodic benefit cost for the three months ended September 30 are as follows for the other postretirement benefits:

	Postretirement Benefits	
	2021	2020
Service cost	\$ 3	\$ 3
Interest cost	8	9
Amortization of unrecognized:		
Prior service benefit	—	(5)
Net actuarial loss	8	7
Net periodic cost	<u>\$ 19</u>	<u>\$ 14</u>

Components of net periodic benefit cost for the nine months ended September 30 are as follows for the defined-benefit pension plans:

	Qualified	
	2021	2020
Service cost	\$ 518	\$ 415
Interest cost	263	278
Expected return on plan assets	(549)	(508)
Amortization of unrecognized:		
Prior service benefit	(38)	(38)
Net actuarial loss	230	183
Net periodic benefit cost	<u>\$ 424</u>	<u>\$ 330</u>



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**September 30, 2021 (in Millions)**

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**Note 12. Employee Benefit Programs (Continued)**

Components of net periodic benefit cost for the nine months ended September 30 are as follows for the other postretirement benefits:

	Postretirement Benefits	
	2021	2020
Service cost	\$ 7	\$ 7
Interest cost	24	29
Amortization of unrecognized:		
Prior service benefit	—	(14)
Net actuarial loss	24	22
Net periodic cost	<u>\$ 55</u>	<u>\$ 44</u>

**Note 13. Commitments and Contingencies**

The Clinic has various construction projects in progress related to patient care, research, and educational facilities. The estimated costs committed to complete the various projects at September 30, 2021, approximated \$1,800, all of which is expected to be expended over the next three to five years.

While the Clinic is self-insured for a substantial portion of its general and workers' compensation liabilities, the Clinic maintains commercial insurance coverage against catastrophic loss. Additionally, the Clinic maintains a self-insurance program for its long-term disability coverage. The provision for estimated self-insured claims includes estimates of the ultimate costs for both reported claims and claims incurred but not reported.

The Clinic is a defendant in various lawsuits arising in the ordinary course of business and records an estimated liability for probable claims. Although the outcome of these lawsuits cannot be predicted with certainty, management believes the ultimate disposition of such matters will not have a material effect on the Clinic's condensed consolidated statements of financial position or statements of activities.

**Note 14. COVID-19**

In March 2020, the World Health Organization (WHO) declared the novel coronavirus disease (COVID-19) a pandemic. The Center for Disease Control (CDC) confirmed its spread to the United States and declared a national public health emergency. The Clinic was well-prepared and continues to treat patients with COVID-19 across the organization, especially those with serious or complex medical conditions. However, COVID-19 could still negatively affect the operating margins and financial results of the Clinic, as the duration of the pandemic is unknown.



## **Notes to Unaudited Condensed Consolidated Financial Statements**

### **September 30, 2021 (in Millions)**

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#### **Note 15. Joint Venture and Related Party**

The Clinic has entered into a joint venture agreement with Abu Dhabi Health Services Company PJSC (SEHA) to operate Sheikh Shakhbout Medical City (SSMC), a 741-bed hospital in the United Arab Emirates. The Clinic funded a 25% equity position in the joint venture (SSMC LLC) with cash and other intangibles. The Clinic's equity position is accounted for using the equity method of accounting for investments. In addition to the joint venture agreement, the Clinic has entered into a hospital expertise agreement, brand license agreement, and research contribution agreement with SSMC.

The joint venture has an initial commitment period of twenty years and may be extended by ten years.

The Clinic had a \$150 conditional pledge from the joint venture at September 30, 2021. The brand license and hospital expertise agreements were effective January 2021.

In July 2021, The Clinic entered into a joint venture agreement with Kaiser Permanente to invest in Medically Home to allow more patients to receive acute care and recovery services in the comfort, convenience, and safety of their homes. The Clinic's 32 percent equity position is accounted for using the equity method of accounting for investments.

#### **Note 16. Subsequent Events**

The Clinic evaluated events and transactions occurring subsequent to September 30, 2021, through November 11, 2021, the date of issuance of the condensed consolidated financial statements. During this period, there were no subsequent events requiring recognition in the condensed consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE-MONTH PERIOD  
ENDED SEPTEMBER 30, 2021

November 2021



## MAYO CLINIC: WHEN IT'S TIME TO FIND ANSWERS

### MORE EXPERIENCE

Every year, more than a million people come to Mayo Clinic for care. Our highly specialized experts work together to find answers for patients with serious or complex conditions.

### THE RIGHT ANSWERS

Successful treatment starts with an accurate diagnosis, and our experts take the time to get it right the first time. A team of specialists listen to patients' needs and evaluate their condition from every angle to make the very best, patient-centered treatment plan. At Mayo Clinic, every aspect of care is patient-centered and coordinated, by teams of experts who work together to provide exactly the care needed. What might take months elsewhere can often be done in days here.

### UNPARALLELED EXPERTISE

Mayo Clinic experts are some of the best in the world. In the *U.S. News & World Report* rankings of top hospitals, Mayo Clinic has been ranked the No. 1 hospital in the nation for six consecutive years.

### ABOUT MAYO CLINIC

With \$14 billion in annual revenues and more than 70,000 employees, we provide comprehensive medical care, education in clinical medicine and the medical sciences, and extensive programs in medical research. Mayo Clinic has major campuses in Rochester, Minn.; Phoenix and Scottsdale, Ariz.; and Jacksonville, Fla. Mayo Clinic Health System has dozens of locations in Minnesota, Wisconsin, and Iowa.

### THE NEEDS OF THE PATIENT COME FIRST

When a tornado devastated Rochester in 1883, Dr. William Worrall Mayo, a country practitioner from England, and his sons, Will and Charlie, joined the Sisters of Saint Francis in caring for the injured. Their response was a new way to practice medicine that is foundational to Mayo Clinic's practice today: teams of specialists who put the needs of patients first. The Franciscan Sisters and Dr. W.W. Mayo worked together to construct and staff Saint Marys Hospital in 1889, and after completing their medical training, Dr. Will Mayo and Dr. Charlie Mayo continued their vision, partnering with many others to develop the integrated group practice, education and research model that is core to Mayo Clinic's mission: to inspire hope and contribute to health and well-being by providing the best care to every patient, every day.

## 2021: CONTINUING EXCELLENCE

### Recognition and Awards

#### **Mayo Clinic named nation's best hospital by U.S. News & World Report**

Mayo Clinic has been named the best hospital in the nation by U.S. News & World Report. Hospitals are measured on factors such as survival rates, experience, nurse staffing, advanced technology, patient services and reputation with other specialists.

**"Mayo Clinic is honored to be the No. 1 ranked hospital in the nation for the sixth consecutive year,** and we are truly grateful to our extraordinary staff for always putting our patients' needs first in the exceptional care that they provide," says Gianrico Farrugia, M.D., President and CEO of Mayo Clinic. "At Mayo Clinic, each patient receives specialized care from an innovative, collaborative and highly talented team that is committed to both treating serious or complex disease and advancing new and better cures through innovative research."

Mayo Clinic in Rochester has been ranked No. 1 in the state of Minnesota since 2012, when U.S. News and World Report first published state rankings. Mayo Clinic in Arizona has ranked No.1 in the state of Arizona for nine consecutive years, and Mayo Clinic in Florida has ranked No. 1 in the state of Florida for five of the last six years.

**Mayo Clinic in Arizona and Mayo Clinic in Florida are ranked No. 15 and No. 26, respectively, in the national rankings.** This is the fifth consecutive year that Mayo Clinic in Arizona has been named a top 20 hospital and is one of only 11 hospitals out of 4,300 evaluated this year that received a high performing rating in all 17 procedures and conditions. Mayo Clinic Health System in Eau Claire, Wisconsin, is no. 4 among hospitals in Wisconsin and recognized as a "Best Regional Hospital" in Northwest Wisconsin. The U.S. News & World Report "Best Hospitals" rankings feature 20 hospitals with the highest combined overall scores in 15 medical and surgical specialties, and 17 common procedures and conditions.

Mayo Clinic in Rochester is ranked No. 1 in five specialties:

- Diabetes and Endocrinology
- Gastroenterology and GI Surgery
- Gynecology
- Pulmonology and Lung Surgery
- Urology

It ranked No. 2 in two specialties:

- Cardiology and Heart Surgery
- Orthopedics

Also ranked No. 3 in three specialties:

- Cancer
- Geriatrics
- Rheumatology

**Mayo Clinic recognized on Forbes' list of 'Best Employers for Women'**

Mayo Clinic has been recognized as part of Forbes' annual list of "America's Best Employers for Women." This prestigious recognition is presented by Forbes and Statista, a leading statistics portal and industry ranking provider.

More than 50,000 U.S. employees participated in the independent survey focused on issues relevant to women in the workplace. Participants assessed their companies in categories such as discrimination, family support, flexibility, parental leave, pay equity, representation, and career. They also were asked to evaluate other employers in their industries that stand out positively or negatively on gender issues. Diversity in top executive positions was also a factor.

The recognition reinforces Mayo Clinic's reputation as an employer that cares about equal opportunity and diversity.

**Mayo Clinic named a 'Best Place to Work for Disability Inclusion'**

Mayo Clinic has been named one of the best places to work for people with disabilities by the American Association of People with Disabilities, the nation's largest disability rights organization, and Disability:IN, the global business disability inclusion network.

Mayo Clinic scored 100% on the Disability Equality Index to achieve this recognition. The award is a conduit for the institution's continuous efforts to accommodate and work closely with staff members with disabilities to create an environment that is inclusive of all.

The Disability Equality Index was created by the Disability Equality Index Advisory Committee, a diverse group of business leaders, policy experts and advocates who help businesses make a positive impact by employing people with disabilities.

**Mayo Clinic recognized again as a leader in disability hiring, employment practices**

Mayo Clinic has been recognized as a Leading Disability Employer by the National Organization on Disability for the fourth consecutive year. The achievement recognizes companies that demonstrate exemplary employment practices for people with disabilities.

Mayo Clinic was among 67 businesses awarded the Leading Disability Employer Seal based on data provided in response to the Disability Employment Tracker.

**Mayo Clinic recognized by Practice Greenhealth for environmental efforts**

Mayo Clinic has again been recognized for its environmental efforts by Practice Greenhealth, a national organization dedicated to improving the environmental performance of hospitals and health care facilities. The awards recognize organizations that have

## Q3 2021 Financial Highlights

developed successful, sustainable programs and continuously improve efforts to reduce and recycle waste, lower energy and water use, and source more sustainable products.

Mayo Clinic in Arizona, Florida and Rochester, and Mayo Clinic Health System sites in Eau Claire and La Crosse, Wisconsin, recently received awards.

Despite a challenging year due to the COVID-19 pandemic, Mayo Clinic continued to make progress on sustainability projects, including:

- Eliminating Styrofoam food service products at all Mayo Clinic Food Services retail locations.
- Increasing healthy food options by purchasing local ingredients and sustainably sourced food.
- Conserving energy through efforts such as retrofitting LED lighting.

### **Mayo Clinic Care Network marks 10 years, reaches 11 million patients**

It has been 10 years since the first members signed on to be part of the Mayo Clinic Care Network. Since then, more than 40 health care organizations around the globe have joined the network, making it possible for 11 million patients to benefit from Mayo Clinic's expertise.

Mayo Clinic built the Care Network by reaching out to high-quality, independent health care organizations interested in access to Mayo Clinic expertise, resources, and clinical tools to benefit their patients or improve their quality of care.

These resources include:

- eBoards, Grand Rounds and AskMayoExpert: These digital platforms offer seamless ways for members to tap into Mayo Clinic's expertise to guide current care or suggest a different treatment plan.
- eConsults: Care Network members consult with Mayo Clinic specialists to confirm patient diagnoses and treatments, especially for serious or complex care needs.
- Health Care Consulting: Mayo Clinic experts work with Care Network members on quality improvement, clinical best practices, nursing support, leadership development, service line enhancements and a wide variety of other topics.

In looking to future expansion and collaboration, Mayo Clinic Care Network is advancing its Mayo Clinic's "Bold. Forward." strategy by connecting providers to Mayo Clinic Platform and Mayo Clinic International. Care Network members will continue to expand Mayo Clinic's reach worldwide and collaborate to transform health care delivery.

### **Mayo Clinic collaborates with Personalis to expand cancer genomic testing**

Mayo Clinic announced an agreement that will allow it to offer clinical-grade, comprehensive cancer genomic sequencing to cancer patients who choose to participate. Results from these tests will be available to patients and health care providers to guide therapeutic decisions, advance cancer research, and support the development of new diagnostic tests and therapies for cancer treatment.



**Mayo Clinic, Lisa Health to develop digital technology to help with menopause**

Mayo Clinic has entered a license agreement with Lisa Health, a digital health company, to create advanced technology to help women through menopause and with healthy aging. Through the agreement with Mayo Clinic, Lisa Health will advance its development and product testing initiatives. Mayo Clinic also has invested in the company to help bridge gaps in care and knowledge, empowering women to thrive on their menopause journey.

Using artificial intelligence, advanced analytics and sensor technology, Lisa Health will deliver personalized insights, evidence-based precision therapeutics, and education for women in menopause. Under the license agreement, Mayo Clinic will provide clinical and technical expertise.

**2021: DISCUSSION OF THIRD QUARTER RESULTS**

Mayo Clinic generated net operating income of \$324 million on \$4.02 billion in revenue, an 8.1% operating margin. Excess revenue over expenses (net income) for the quarter was \$832 million, a 20.7% margin. Third quarter also includes a \$91 million expense related to employee recognition and other expressions of gratitude to our valued staff.

For the nine-month period, net operating income was \$1.02 billion on \$11.71 billion of revenue, an 8.7% operating margin. Excess revenue over expenses (net income) was \$2.86 billion, a 24.4% margin.

<i>(in Millions):</i>	Three Months Ended			Nine Months Ended		
	September 30, 2020	September 30, 2021	Change From 2020	September 30, 2020	September 30, 2021	Change From 2020
Revenue	\$3,651	\$4,018	10.1%	\$9,975	\$11,713	17.4%
Expenses	3,363	3,694	9.8%	9,620	10,695	11.2%
<b>Net Operating Income</b>	<b>\$288</b>	<b>\$324</b>	<b>12.5%</b>	<b>\$355</b>	<b>\$1,018</b>	<b>186.8%</b>
Noncurrent & other items	699	508	-27.3%	412	1,845	347.8%
<b>Income over expenses</b>	<b>\$987</b>	<b>\$832</b>	<b>-15.7%</b>	<b>\$767</b>	<b>\$2,863</b>	<b>273.3%</b>
Postretirement Adjustment	51	72	41.2%	154	216	40.3%
<b>Increase in net assets</b>	<b>\$1,038</b>	<b>\$904</b>	<b>-12.9%</b>	<b>\$921</b>	<b>\$3,079</b>	<b>234.3%</b>

**REVENUE**

Year to date, net medical service revenue of \$9.89 billion was 84.5% of total revenue and represented an 18.6% increase from prior year. For the third quarter, net medical service revenue of \$3.40 billion represented 84.7% of total revenue and represented a 9.5%

## Q3 2021 Financial Highlights

increase from the prior year quarter. Mayo Clinic's operating revenue for the quarter was \$4.02 billion, reflecting a 10.1% increase over Q3 2020.

(in Millions):	Three Months Ended			Nine Months Ended		
	September 30, 2020	September 30, 2021	Change From 2020	September 30, 2020	September 30, 2021	Change From 2020
Revenue						
Net medical service revenue	\$3,107	\$3,402	9.5%	\$8,342	\$9,894	18.6%
Grants and contracts	142	156	9.9%	411	447	8.8%
Contributions	54	122	125.9%	177	269	52.0%
Investments	61	69	13.1%	190	189	-0.5%
Other	287	269	-6.3%	855	914	6.9%
<b>Total Revenue</b>	<b>\$3,651</b>	<b>\$4,018</b>	<b>10.1%</b>	<b>\$9,975</b>	<b>\$11,713</b>	<b>17.4%</b>

## VOLUME METRICS

The quarter's clinical volumes are shown in the table below. Surgeries and patient days were higher than both 2020 and 2019. Outpatient visits and admissions, while higher than 2020, were lower than 2019.

	Nine Months Ended			Change	
	September 30, 2019	September 30, 2020	September 30, 2021	From 2020	From 2019
Outpatient Visits	3,635,075	3,140,453	3,608,075	14.9%	-0.7%
Surgical Cases	99,432	89,546	102,017	13.9%	2.6%
Admissions	97,837	86,603	92,054	6.3%	-5.9%
Patient Days	495,373	456,889	509,091	11.4%	2.8%

## EXPENSES

Operating expenses were \$10.7 billion for the first nine months of 2021, which represented year-over-year growth of 11.2%. At \$6.6 billion, salaries and benefits increased 13.7% over the prior period and comprised 61.5% of the total expenses.

Expenses (in Millions):	Three Months Ended			Nine Months Ended		
	September 30, 2020	September 30, 2021	Change From 2020	September 30, 2020	September 30, 2021	Change From 2020
Salaries and benefits	\$2,073	\$2,246	8.3%	\$5,951	\$6,576	10.5%
Supplies and services	1,048	1,179	12.5%	2,924	3,326	13.7%
Facilities	213	232	8.9%	649	685	5.5%
Finance and investment	29	37	27.6%	96	108	12.5%
<b>Total Expenses</b>	<b>\$3,363</b>	<b>\$3,694</b>	<b>9.8%</b>	<b>\$9,620</b>	<b>\$10,695</b>	<b>11.2%</b>

## CASH, INVESTMENTS AND BALANCE SHEET STRENGTH

Cash and investments totaled \$17.62 billion at September 30, 2021, an increase of \$3.20 billion since the end of 2020. Factors contributing to the change in cash and investments include:

- \$1.40 billion in free cash flow from operations
- \$1.63 billion in investment gains
- \$496 million in new debt issuance (40-year taxable bonds at 3.196%)
- \$164 million in development yield for endowment and capital
- \$615 million in capital spend (\$291 million for new construction and \$324 million in maintenance capital)

Of the \$17.62 billion total, \$3.56 billion is held in working capital and short-term funds for liquidity.

As of September 30, 2021, Mayo's cash and investment position included \$12.96 billion in long-term investments that are held in its primary investment vehicle, the Long Term Fund (LTF). The LTF is composed of \$6.42 billion of endowed funds (both donor and board-restricted) and \$6.54 billion of unrestricted reserves. Investment earnings on Mayo's endowed funds are a key source of support for its research and education programs.

Mayo Clinic's consistent and strong investment returns are an important source of financial strength and resilience. As of September 30, 2021, the LTF's trailing one-year return was 34.9%. Over longer time periods as of the same date, the fund generated annualized investment returns of 15.7% over the trailing three years, 13.9% over the trailing five years, 11.3% over the trailing 10 years, and 10.1% over the trailing 20 years.

Key balance sheet ratios are stable or improved, reflecting the combined effects of continued strong operating performance, favorable investment returns, the generosity of grateful patients, and continued liquidity management.

	9/30/2020	12/31/2020	9/30/2021
Days Revenue Outstanding	55.9	50.8	50.5
Days Cash on Hand	320	348	402
Debt Service Coverage Ratio	5.4x	6.4x	10.9x
Cash to Debt	281%	311%	346%
Debt to Capitalization	35%	32%	30%

## SUMMARY

Mayo Clinic's third quarter 2021 financial report continues a trend of strong revenue and income performance. This is a direct outcome of the efforts of our committed staff who have been on the front lines caring for COVID-19 patients, developing lifesaving treatments, and conducting the testing and research that is essential to finding therapeutics, while advancing our mission and goal to **cure, connect, and transform** health care for the digital age.