



Mayo Clinic

Consolidated Interim Financial Statements (Unaudited)
March 31, 2015



Mayo Clinic

Contents

Financial Statements

Consolidated statements of financial position	1
Consolidated statements of activities	2
Consolidated statements of cash flows	3
Notes to consolidated financial statements	4 - 14



Consolidated Statements of Financial Position
March 31, 2015 and December 31, 2014 (Unaudited in Millions)

Assets	March 31, 2015	December 31, 2014
Current Assets		
Cash and equivalents	\$ 56	\$ 55
Accounts receivable for medical services, less allowances for uncollectible accounts of \$523 as of March 31, 2015 and \$514 as of December 31, 2014	1,586	1,495
Securities lending collateral loan	83	85
Other receivables	236	242
Other current assets	168	160
Total current assets	2,129	2,037
Investments	7,112	7,179
Investments Under Securities Lending Agreement	89	91
Other Long-Term Assets	643	636
Property, Plant and Equipment, net	4,080	4,057
Total assets	\$ 14,053	\$ 14,000
Liabilities and Net Assets		
Current Liabilities		
Accounts payable	\$ 427	\$ 411
Accrued payroll	460	555
Accrued employee benefits	134	128
Deferred revenue	44	43
Long-term variable rate debt	360	360
Securities lending payable	83	85
Other current liabilities	341	321
Total current liabilities	1,849	1,903
Long-Term Debt	2,426	2,437
Accrued Pension and Postretirement Benefits, net of current	1,575	1,611
Other Long-Term Liabilities	881	857
Total liabilities	6,731	6,808
Net Assets		
Unrestricted	4,860	4,761
Temporarily restricted	1,345	1,323
Permanently restricted	1,117	1,108
Total net assets	7,322	7,192
Total liabilities and net assets	\$ 14,053	\$ 14,000



Consolidated Statements of Activities
For the Three Months Ended March 31, 2015 and 2014 (Unaudited in Millions)

	2015				2014			
	Unrestricted	Temporarily Restricted	Permanently Restricted	Total	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:								
Net medical service revenue	\$ 2,097	\$ -	\$ -	\$ 2,097	\$ 1,971	\$ -	\$ -	\$ 1,971
Grants and contracts	94	-	-	94	95	-	-	95
Investment return allocated to current activities	49	6	-	55	41	4	-	45
Contributions available for current activities	9	16	-	25	10	24	-	34
Premium revenue	37	-	-	37	32	-	-	32
Other	176	-	-	176	173	-	-	173
Net assets released from restrictions	30	(30)	-	-	32	(32)	-	-
Total revenue, gains and other support	2,492	(8)	-	2,484	2,354	(4)	-	2,350
Expenses:								
Salaries and benefits	1,558	-	-	1,558	1,455	-	-	1,455
Supplies and services	647	-	-	647	557	-	-	557
Facilities	166	-	-	166	161	-	-	161
Finance and investment	25	-	-	25	22	-	-	22
Total expenses	2,396	-	-	2,396	2,195	-	-	2,195
Income (loss) from current activities	96	(8)	-	88	159	(4)	-	155
Noncurrent and other items:								
Contributions not available for current activities, net	(3)	3	9	9	(2)	-	13	11
Unallocated investment return, net	4	27	-	31	(30)	28	-	(2)
Income tax expense	(9)	-	-	(9)	(9)	-	-	(9)
Miscellaneous	(1)	-	-	(1)	-	-	-	-
Total noncurrent and other items	(9)	30	9	30	(41)	28	13	-
Increase in net assets before other changes in net assets	87	22	9	118	118	24	13	155
Pension and other postretirement benefit adjustments	12	-	-	12	(9)	-	-	(9)
Increase in net assets	99	22	9	130	109	24	13	146
Net assets at beginning of period	4,761	1,323	1,108	7,192	5,414	1,250	989	7,653
Net assets at end of period	\$ 4,860	\$ 1,345	\$ 1,117	\$ 7,322	\$ 5,523	\$ 1,274	\$ 1,002	\$ 7,799

See Notes to Consolidated Financial Statements.



Consolidated Statements of Cash Flows
For the Three Months Ended March 31, 2015 and 2014 (Unaudited in Millions)

	2015	2014
Cash Flows From Current Activities		
Increase in net assets	\$ 130	\$ 146
Adjustments to reconcile changes in net assets to net cash provided by current activities:		
Depreciation and amortization	111	105
Provision for uncollectible accounts	48	55
Net realized and unrealized gain on investments	(86)	(43)
Restricted gifts, bequests, and other income	(9)	(13)
Net change in accounts receivable and other current assets and liabilities	(193)	(74)
Pension and other postretirement benefits adjustment	(36)	(13)
Net change in other long-term assets and liabilities	19	(16)
Net cash provided by (used) for current activities	(16)	147
Cash Flows From Investing Activities		
Purchase of property, plant, and equipment	(134)	(129)
Purchases of investments	(365)	(146)
Sales and maturities of investments	520	144
Net cash provided by (used) for investing activities	21	(131)
Cash Flows From Financing Activities		
Restricted gifts, bequests and other income	7	15
Payment of long-term debt	(11)	(12)
Net cash provided by (used) for financing activities	(4)	3
Net increase in cash and cash equivalents	1	19
Cash and Cash Equivalents at Beginning of Period	55	47
Cash and Cash Equivalents at End of Period	<u>\$ 56</u>	<u>\$ 66</u>

See Notes to Consolidated Financial Statements.



Notes to Consolidated Financial Statements March 31, 2015 (Unaudited in Millions)

Note 1. Basis of Presentation

Mayo Clinic (the Clinic) and its Arizona, Florida, Georgia, 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 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 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 three months ended March 31, 2015, are not necessarily indicative of the results to be expected for the year ending December 31, 2015. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2014.

The preparation of financial statements in conformity with generally accepted accounting principles 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 Standard Adopted

The Clinic adopted Financial Accounting Standards Board Accounting Standards Update (ASU) No. 2015-03, *Interest-Imputation of Interest: Simplifying the Presentation of Debt Issuance Cost* (Subtopic 835-30) which changes the presentation of debt issuance costs. This ASU requires presentation of debt issuance costs as a direct reduction of the related debt liability. The adoption of this ASU resulted in a \$13 million reduction of long-term assets and long-term debt as of March 31, 2015 and December 31, 2014.

Note 3. Allowance for Uncollectible Accounts

Accounts receivable are reduced by an allowance for uncollectible accounts and stated at net realizable value. In evaluating the collectability of accounts receivable, the Clinic analyzes its past history and identifies trends for each of its major payor sources of revenue to estimate the appropriate allowance for uncollectible accounts and provision for bad debts. Management regularly reviews data about these major payor sources of revenue in evaluating the sufficiency of the allowance for uncollectible accounts. For receivables associated with services provided to patients who have third-party coverage, the Clinic analyzes contractually due amounts and provides an allowance for uncollectible accounts and a provision for bad debts. The difference between the standard rates (or the discounted rates if negotiated or as provided by policy) and the amounts actually collected after all reasonable collection efforts have been exhausted is charged off against the allowance for uncollectible accounts.



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 3. Allowance for Uncollectible Accounts (Continued)

The Clinic's allowance for uncollectible accounts was 24.8 percent of accounts receivable at March 31, 2015 compared to 25.6 percent of accounts receivable at December 31, 2014. In addition, the Clinic's write-offs were \$39 million for the three months ended March 31, 2015 compared to \$20 million for the three months ended March 31, 2014. The Clinic has not changed its charity care policies.

Net medical service revenue for the three months ended March 31 consisted of the following:

	2015	2014
Medical service revenue (net of contractual allowances and discounts)	\$ 2,145	\$ 2,026
Provision for uncollectible accounts	(48)	(55)
Net medical service revenue	<u>\$ 2,097</u>	<u>\$ 1,971</u>

The Clinic recognizes patient service revenue associated with services provided to patients who have third-party payor coverage on the basis of contractual rates for the services rendered. For uninsured patients that do not qualify for charity care, the Clinic recognizes revenue on the basis of its standard rates for services provided (or on the basis of discounted rates, if negotiated or provided by policy). On the basis of historical experience, a portion of the Clinic's patients will be unable or unwilling to pay for the services provided. Thus, the Clinic records a provision for uncollectible accounts related to patients in the period the services are provided. Medical service revenue, net of contractual allowances and discounts (but before the provision for uncollectible accounts), recognized in the period from these major payor sources, is as follows:

	2015	2014
Third-party payors	\$ 2,045	\$ 1,922
Self-pay	100	104
Total all payors	<u>\$ 2,145</u>	<u>\$ 2,026</u>



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. 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 Measurements and Disclosures topic of the ASC 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.



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. Fair Value Measurements (Continued)

The following tables present the financial instruments carried at fair value as of March 31, 2015, and December 31, 2014, by caption on the statement of financial position by the valuation hierarchy defined above:

	March 31, 2015			Total Fair Value
	Level 1	Level 2	Level 3	
Assets:				
Securities lending collateral	\$ 83	\$ -	\$ -	\$ 83
Investments:				
Cash and cash equivalents	988	-	-	988
Fixed-income securities:				
U.S. government	-	124	-	124
U.S. government agencies	-	284	-	284
U.S. corporate	-	285	20	305
Foreign	-	97	-	97
Common and preferred stocks:				
U.S.	371	-	-	371
Foreign	341	-	-	341
Funds:				
Fixed-income	308	-	-	308
Equities	485	117	-	602
Alternative investments:				
Absolute return and hedge funds	-	-	2,165	2,165
Private equity, real estate, and natural resources funds	-	-	1,613	1,613
Other investments	3	-	-	3
Less securities under lending agreement	(89)	-	-	(89)
Total investments	2,407	907	3,798	7,112
Investments under securities lending agreement	89	-	-	89
Other long-term assets:				
Trust receivables	97	35	58	190
Technology-based ventures	-	-	31	31
Total other long-term assets	97	35	89	221
Total assets at fair value	\$ 2,676	\$ 942	\$ 3,887	\$ 7,505
Liabilities:				
Securities lending payable	\$ 83	\$ -	\$ -	\$ 83
Total liabilities at fair value	\$ 83	\$ -	\$ -	\$ 83



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. Fair Value Measurements (Continued)

	December 31, 2014			
	Level 1	Level 2	Level 3	Total Fair Value
Assets:				
Securities lending collateral	\$ 85	\$ -	\$ -	\$ 85
Investments:				
Cash and cash equivalents	1,145	-	-	1,145
Fixed-income securities:				
U.S. government	-	109	-	109
U.S. government agencies	-	225	-	225
U.S. corporate	-	319	20	339
Foreign	-	90	-	90
Common and preferred stocks:				
U.S.	411	-	-	411
Foreign	391	-	-	391
Funds:				
Fixed-income	349	-	-	349
Equities	398	111	-	509
Alternative investments:				
Absolute return and hedge funds	-	-	2,240	2,240
Private equity, real estate, and natural resources funds	-	-	1,458	1,458
Other investments	4	-	-	4
Less securities under lending agreement	(91)	-	-	(91)
Total investments	2,607	854	3,718	7,179
Investments under securities lending agreement	91	-	-	91
Other long-term assets:				
Trust receivables	95	34	56	185
Technology-based ventures	-	-	30	30
Total other long-term assets	95	34	86	215
Total assets at fair value	\$ 2,878	\$ 888	\$ 3,804	\$ 7,570
Liabilities:				
Securities lending payable	\$ 85	\$ -	\$ -	\$ 85
Total liabilities at fair value	\$ 85	\$ -	\$ -	\$ 85



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. Fair Value Measurements (Continued)

The following table is a rollforward of the consolidated statement of financial position amounts for financial instruments classified by the Clinic within Level 3 of the valuation hierarchy defined above:

	Absolute Return Investments	Private Equity Investments	Other	Total
Fair value December 31, 2013	\$ 2,044	\$ 1,125	\$ 100	\$ 3,269
Realized gain	20	63	2	85
Unrealized gain	100	95	10	205
Purchases	127	394	8	529
Issuances and settlements	(51)	(219)	(14)	(284)
Fair value December 31, 2014	\$ 2,240	\$ 1,458	\$ 106	\$ 3,804
Realized gain	60	15	-	75
Unrealized gain (loss)	(2)	49	5	52
Purchases	96	484	-	580
Issuances and settlements	(229)	(393)	(2)	(624)
Fair value March 31, 2015	<u>\$ 2,165</u>	<u>\$ 1,613</u>	<u>\$ 109</u>	<u>\$ 3,887</u>

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, which primarily consists of 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 obtained from fund manager statements and audited financial statements. Investments held by the partnerships consist of marketable securities as well as securities that do not have readily determinable fair values. The fair values of the securities held by partnerships that do not have readily determinable fair values are determined by the general partner and are based on historical cost, appraisals, or other estimates that require varying degrees of judgment. If no public market exists for the investment securities, the fair value is determined by the general partner, taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. Alternative investments are redeemable with the investee fund at NAV under the original terms of the subscription agreement. Due to the nature of these investments, changes in market conditions and the overall economic environment may significantly impact the NAV of the funds, and therefore the value of the Clinic's interest. It is therefore reasonably possible that, if the Clinic were to sell all or a portion of its alternative investments, the transaction value could be significantly different than the fair value reported.



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. Fair Value Measurements (Continued)

The trusts are 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, which would result in Level 1 and 2 hierarchical reporting. However, since the Clinic will never receive the trust assets, these perpetual trusts are reported as Level 3.

The methods described above 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 following information pertains to those alternative investments recorded at net asset value in accordance with the Fair Value Measurements and Disclosures topic of the FASB ASC.

At March 31, 2015, alternative investments recorded at net asset value consisted of the following:

		Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return/hedge funds	(a)	\$ 2,165	\$ -	Monthly to annually	30-90 days
Private partnerships	(b)	1,613	996		
		<u>\$ 3,778</u>	<u>\$ 996</u>		

At December 31, 2014, alternative investments recorded at net asset value consisted of the following:

		Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return/hedge funds	(a)	\$ 2,240	\$ -	Monthly to annually	30-90 days
Private partnerships	(b)	1,458	913		
		<u>\$ 3,698</u>	<u>\$ 913</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 net asset value per share of the investments. Investments in this category generally carry "lock-up" restrictions that do not allow investors to seek redemption in the first year after acquisition. Following the initial lock-up 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



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 4. Fair Value Measurements (Continued)

estimated using the net asset value 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 10-year period.

The carrying values of cash, cash equivalents, and short-term investments, accounts receivable, accounts payable and accrued expenses 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 \$171 million and \$127 million more than its carrying value at March 31, 2015 and December 31, 2014, respectively. Other long-term assets and liabilities have a carrying value that approximates fair value.

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 consolidated statements of activities.

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. At March 31, 2015 and December 31, 2014, the Clinic did not hold any significant derivative contracts.

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 shown in the consolidated statements of activities in two segments. The investment return allocated to current activities is determined by a formula, which involves allocating 5 percent of a three-year moving average of investments related to endowments and additionally entails 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 consolidated statements of activities, represents the difference between the total investment return and the amount allocated to current activities.



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 6. 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 consolidated statements of financial position.

At March 31, 2015 and December 31, 2014, the aggregate market value of securities on loan under securities lending agreements totaled \$89 million and \$91 million, respectively, and the total value of the collateral supporting the securities is \$92 million and \$94 million, respectively, which represents 103 percent of the value of the securities on loan at March 31, 2015 and December 31, 2014, respectively. The cash portion of the collateral supporting the securities as of March 31, 2015 and December 31, 2014 is \$83 million and \$85 million. Noncash collateral provided to the Clinic is not recorded in the Statement of Financial Position, as the collateral may not be sold or re-pledged. 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 some loss.

Note 8. 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 December 31, 2014, approximated \$438 million, all of which is expected to be expended over the next three to four years.

One of the Clinic's affiliation agreements limits the involvement of a third party in operations of a consolidated affiliate. A process exists to resolve disputes; however, in the event of an irreconcilable dispute between the parties, the agreement further provides for a one-time payment of approximately \$87 million by the consolidated affiliate to release the third party from the affiliation. Such payment would be subordinate to other debtors of the consolidated affiliated entity. No amount has been accrued in the consolidated financial statements for this contingency.

Laws and regulations concerning government programs, including Medicare, Medicaid, and various research grant programs, are complex and subject to varying interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. As a result of nationwide 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. The Clinic expects that the level of review and audit to which it and other health care providers are subject will increase. 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.

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 consolidated financial position or statement of activities.



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 9. 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 periods ended March 31, 2015 and 2014 are as follows for the defined-benefit pension funds:

	Qualified	
	2015	2014
Service cost	\$ 98	\$ 55
Interest cost	77	74
Expected return on plan assets	(128)	(116)
Amortization of unrecognized:		
Prior service benefit	(15)	(15)
Net actuarial loss	40	20
Net periodic benefit cost	<u>\$ 72</u>	<u>\$ 18</u>

Components of net periodic benefit cost for the other postretirement benefits are as follows:

	Postretirement Benefits	
	2015	2014
Service cost	\$ 3	\$ 3
Interest cost	9	9
Amortization of unrecognized:		
Prior service benefit	(14)	(15)
Net actuarial loss	1	1
Net periodic benefit cost (benefit)	<u>\$ (1)</u>	<u>\$ (2)</u>



Notes to Consolidated Financial Statements
March 31, 2015 (Unaudited in Millions)

Note 9. Employee Benefit Programs (Continued)

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	<u>Postretirement Benefits</u>
Years ending December 31:	
2015	\$ 28
2016	29
2017	31
2018	33
2019	35
2020 - 2024	207

The following reflects the expected future Medicare Part D subsidy receipts:

Years ending December 31:	
2015	\$ 4
2016	4
2017	5
2018	5
2019	5
2020 - 2024	27

Note 10. Subsequent Events

The Clinic evaluated events and transactions occurring subsequent to March 31, 2015 through May 7, 2015, the date of issuance of the financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. Additionally, there were no nonrecognized events requiring disclosure.