



# **Mayo Clinic**

Unaudited Condensed Consolidated Financial Reports  
March 31, 2021



# Mayo Clinic

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### Unaudited Consolidated Financial Reports

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

|                                                                     | March 31,<br>2021<br>Unaudited | December 31,<br>2020 |
|---------------------------------------------------------------------|--------------------------------|----------------------|
| <b>Assets</b>                                                       |                                |                      |
| Current assets:                                                     |                                |                      |
| Cash and cash equivalents                                           | \$ 55                          | \$ 72                |
| Accounts receivable for medical services                            | 1,819                          | 1,756                |
| Securities lending collateral                                       | 4                              | 2                    |
| Other receivables                                                   | 572                            | 576                  |
| Other current assets                                                | 284                            | 252                  |
| <b>Total current assets</b>                                         | <u>2,734</u>                   | <u>2,658</u>         |
| Investments                                                         | 15,043                         | 14,320               |
| Investments under securities lending agreement                      | 114                            | 38                   |
| Other long-term assets                                              | 1,271                          | 1,204                |
| Property, plant and equipment, net                                  | 5,002                          | 4,964                |
| <b>Total assets</b>                                                 | <u>\$ 24,164</u>               | <u>\$ 23,184</u>     |
| <b>Liabilities and net assets</b>                                   |                                |                      |
| Current liabilities:                                                |                                |                      |
| Accounts payable                                                    | \$ 517                         | \$ 584               |
| Accrued payroll                                                     | 838                            | 797                  |
| Accrued employee benefits                                           | 164                            | 163                  |
| Deferred revenue                                                    | 78                             | 90                   |
| Long-term variable-rate debt                                        | 760                            | 620                  |
| Mandatory tender debt                                               | 135                            | 135                  |
| Securities lending payable                                          | 4                              | 2                    |
| Other current liabilities                                           | 536                            | 470                  |
| <b>Total current liabilities</b>                                    | <u>3,032</u>                   | <u>2,861</u>         |
| Long-term debt, net of current portion                              | 2,956                          | 3,097                |
| Accrued pension and postretirement benefits, net of current portion | 2,924                          | 2,897                |
| Other long-term liabilities                                         | 2,033                          | 1,964                |
| <b>Total liabilities</b>                                            | <u>10,945</u>                  | <u>10,819</u>        |
| Net assets:                                                         |                                |                      |
| Without donor restrictions                                          | 8,511                          | 8,016                |
| With donor restrictions                                             | 4,708                          | 4,349                |
| <b>Total net assets</b>                                             | <u>13,219</u>                  | <u>12,365</u>        |
| <b>Total liabilities and net assets</b>                             | <u>\$ 24,164</u>               | <u>\$ 23,184</u>     |

See notes to condensed consolidated financial statements.



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

|                                                                             | Three Months Ended March 31, 2021 |                               |                  | Three Months Ended March 31, 2020 |                               |                 |
|-----------------------------------------------------------------------------|-----------------------------------|-------------------------------|------------------|-----------------------------------|-------------------------------|-----------------|
|                                                                             | Without<br>Donor<br>Restrictions  | With<br>Donor<br>Restrictions | Total            | Without<br>Donor<br>Restrictions  | With<br>Donor<br>Restrictions | Total           |
| Revenue, gains and other support:                                           |                                   |                               |                  |                                   |                               |                 |
| Medical service revenue                                                     | \$ 3,149                          | \$ —                          | \$ 3,149         | \$ 2,810                          | \$ —                          | \$ 2,810        |
| Grants and contracts                                                        | 141                               | —                             | 141              | 132                               | —                             | 132             |
| Investment return allocated to current activities                           | 58                                | 8                             | 66               | 53                                | 9                             | 62              |
| Contributions available for current activities                              | 9                                 | 29                            | 38               | 11                                | 35                            | 46              |
| Other                                                                       | 309                               | —                             | 309              | 111                               | —                             | 111             |
| Net assets released from restrictions                                       | 48                                | (48)                          | —                | 39                                | (39)                          | —               |
| <b>Total revenue, gains and other support</b>                               | <b>3,714</b>                      | <b>(11)</b>                   | <b>3,703</b>     | <b>3,156</b>                      | <b>5</b>                      | <b>3,161</b>    |
| Expenses:                                                                   |                                   |                               |                  |                                   |                               |                 |
| Salaries and benefits                                                       | 2,138                             | —                             | 2,138            | 1,925                             | —                             | 1,925           |
| Supplies and services                                                       | 1,066                             | —                             | 1,066            | 1,009                             | —                             | 1,009           |
| Depreciation and amortization                                               | 151                               | —                             | 151              | 151                               | —                             | 151             |
| Facilities                                                                  | 72                                | —                             | 72               | 72                                | —                             | 72              |
| Finance and investment                                                      | 33                                | —                             | 33               | 34                                | —                             | 34              |
| <b>Total expenses</b>                                                       | <b>3,460</b>                      | <b>—</b>                      | <b>3,460</b>     | <b>3,191</b>                      | <b>—</b>                      | <b>3,191</b>    |
| <b>Income (loss) from current activities</b>                                | <b>254</b>                        | <b>(11)</b>                   | <b>243</b>       | <b>(35)</b>                       | <b>5</b>                      | <b>(30)</b>     |
| Noncurrent and other items:                                                 |                                   |                               |                  |                                   |                               |                 |
| Contributions not available for current activities, net                     | (9)                               | 125                           | 116              | (8)                               | 91                            | 83              |
| Unallocated investment return, net                                          | 177                               | 245                           | 422              | (535)                             | (152)                         | (687)           |
| Income tax expense                                                          | (14)                              | —                             | (14)             | (6)                               | —                             | (6)             |
| Benefit credit                                                              | 15                                | —                             | 15               | 16                                | —                             | 16              |
| Other                                                                       | —                                 | —                             | —                | 1                                 | —                             | 1               |
| <b>Total noncurrent and other items</b>                                     | <b>169</b>                        | <b>370</b>                    | <b>539</b>       | <b>(532)</b>                      | <b>(61)</b>                   | <b>(593)</b>    |
| <b>Increase (decrease) in net assets before other changes in net assets</b> | <b>423</b>                        | <b>359</b>                    | <b>782</b>       | <b>(567)</b>                      | <b>(56)</b>                   | <b>(623)</b>    |
| Pension and other postretirement benefit adjustments                        | 72                                | —                             | 72               | 51                                | —                             | 51              |
| <b>Increase (decrease) in net assets</b>                                    | <b>495</b>                        | <b>359</b>                    | <b>854</b>       | <b>(516)</b>                      | <b>(56)</b>                   | <b>(572)</b>    |
| Net assets at beginning of year                                             | 8,016                             | 4,349                         | 12,365           | 6,679                             | 3,715                         | 10,394          |
| Net assets at end of year                                                   | <b>\$ 8,511</b>                   | <b>\$ 4,708</b>               | <b>\$ 13,219</b> | <b>\$ 6,163</b>                   | <b>\$ 3,659</b>               | <b>\$ 9,822</b> |

See notes to condensed consolidated financial statements.



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

|                                                  | Three Months<br>Ended<br>March 31, 2021 | Three Months<br>Ended<br>March 31, 2020 |
|--------------------------------------------------|-----------------------------------------|-----------------------------------------|
| Cash flows from operating activities:            |                                         |                                         |
| Cash from medical services                       | \$ 2,837                                | \$ 2,703                                |
| Cash from external lab services                  | 249                                     | 185                                     |
| Cash from grants and contracts                   | 130                                     | 137                                     |
| Cash from benefactors                            | 70                                      | 55                                      |
| Cash from other activities                       | 252                                     | 158                                     |
| Cash for salaries and benefits                   | (1,941)                                 | (1,872)                                 |
| Cash for supplies, services, and facilities      | (1,202)                                 | (1,128)                                 |
| Interest and dividends received                  | 53                                      | 32                                      |
| Interest paid                                    | (5)                                     | (10)                                    |
| Income taxes paid                                | (1)                                     | (6)                                     |
| <b>Net cash provided by operating activities</b> | <b>442</b>                              | <b>254</b>                              |
| Cash flows from investing activities:            |                                         |                                         |
| Purchase of property, plant and equipment        | (175)                                   | (172)                                   |
| Purchases of investments                         | (1,917)                                 | (1,271)                                 |
| Sales and maturities from investments            | 1,593                                   | 1,160                                   |
| <b>Net cash used in investing activities</b>     | <b>(499)</b>                            | <b>(283)</b>                            |
| Cash flows from financing activities:            |                                         |                                         |
| Restricted gifts, bequests and other             | 42                                      | 24                                      |
| Payment on leases                                | (2)                                     | (3)                                     |
| <b>Net cash provided by financing activities</b> | <b>40</b>                               | <b>21</b>                               |
| <b>Net decrease in cash and cash equivalents</b> | <b>(17)</b>                             | <b>(8)</b>                              |
| Cash and cash equivalents at beginning of period | 72                                      | 48                                      |
| Cash and cash equivalents at end of period       | <u>\$ 55</u>                            | <u>\$ 40</u>                            |

See notes to condensed consolidated financial statements.



## Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 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 three months ended March 31, 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**  
**March 31, 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

March 31, 2021 (in Millions)

### 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 March 31, 2021 and December 31, 2020:

|                                                  | March 31, 2021   | December 31, 2020 |
|--------------------------------------------------|------------------|-------------------|
| Cash and cash equivalents                        | \$ 55            | \$ 72             |
| Accounts receivable                              | 1,819            | 1,756             |
| Promises to give                                 | 234              | 234               |
| Grants receivable                                | 145              | 134               |
| Other receivables                                | 193              | 208               |
| Investments                                      | 9,643            | 8,878             |
| Total financial assets available within one year | <u>\$ 12,089</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 price, 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

### March 31, 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 months ended March 31, 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 months ended March 31, 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 months ended March 31, 2021 or 2020.



## Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 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 March 31, 2021 and 2020 are as follows:

|                                    | March 31, 2021  |               |               |                 |
|------------------------------------|-----------------|---------------|---------------|-----------------|
|                                    | Midwest         | Southeast     | Southwest     | Total           |
| Hospital                           | \$ 1,182        | \$ 236        | \$ 273        | 1,691           |
| Clinic                             | 795             | 193           | 222           | 1,210           |
| Senior Care and Nursing Home       | 4               | —             | —             | 4               |
| Other                              | 12              | —             | —             | 12              |
| Total patient care service revenue | 1,993           | 429           | 495           | 2,917           |
| External lab                       | 232             | —             | —             | 232             |
| Total medical service revenue      | <u>\$ 2,225</u> | <u>\$ 429</u> | <u>\$ 495</u> | <u>\$ 3,149</u> |

#### Timing of revenue and recognition:

|                                |                 |               |               |                 |
|--------------------------------|-----------------|---------------|---------------|-----------------|
| At time services are rendered  | \$ 1,039        | \$ 193        | \$ 222        | \$ 1,454        |
| Services transferred over time | 1,186           | 236           | 273           | 1,695           |
| Total                          | <u>\$ 2,225</u> | <u>\$ 429</u> | <u>\$ 495</u> | <u>\$ 3,149</u> |

|                                    | March 31, 2020  |               |               |                 |
|------------------------------------|-----------------|---------------|---------------|-----------------|
|                                    | Midwest         | Southeast     | Southwest     | Total           |
| Hospital                           | \$ 1,085        | \$ 196        | \$ 261        | \$ 1,542        |
| Clinic                             | 727             | 153           | 183           | 1,063           |
| Senior Care and Nursing Home       | 4               | —             | —             | 4               |
| Other                              | 13              | —             | —             | 13              |
| Total patient care service revenue | 1,829           | 349           | 444           | 2,622           |
| External lab                       | 188             | —             | —             | 188             |
| Total medical service revenue      | <u>\$ 2,017</u> | <u>\$ 349</u> | <u>\$ 444</u> | <u>\$ 2,810</u> |

#### Timing of revenue and recognition:

|                                |                 |               |               |                 |
|--------------------------------|-----------------|---------------|---------------|-----------------|
| At time services are rendered  | \$ 928          | \$ 153        | \$ 183        | \$ 1,264        |
| Services transferred over time | 1,089           | 196           | 261           | 1,546           |
| Total                          | <u>\$ 2,017</u> | <u>\$ 349</u> | <u>\$ 444</u> | <u>\$ 2,810</u> |



## Notes to Unaudited Condensed Consolidated Financial Statements

March 31, 2021 (in Millions)

### 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 \$228 and \$238 for the three months ended March 31, 2021 and 2020, respectively. 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 March 31 is as follows:

|                           | 2021            | 2020            |
|---------------------------|-----------------|-----------------|
| Medicare                  | \$ 787          | \$ 714          |
| Medicaid                  | 110             | 96              |
| Contract                  | 1,831           | 1,664           |
| Other, including self-pay | 421             | 336             |
| Total                     | <u>\$ 3,149</u> | <u>\$ 2,810</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.

### 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 months



## Notes to Unaudited Condensed Consolidated Financial Statements

### March 31, 2021 (in Millions)

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#### Note 5. Investments (Continued)

ended March 31, 2021 and 2020, the realized and unrealized 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.

#### 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 or activity within Levels for the three months ended March 31, 2021 and 2020.



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

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

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

|                                                | March 31, 2021 |          |         |          |                     |
|------------------------------------------------|----------------|----------|---------|----------|---------------------|
|                                                | Level 1        | Level 2  | Level 3 | NAV      | Total<br>Fair Value |
| <b>Assets:</b>                                 |                |          |         |          |                     |
| Securities lending collateral                  | \$ 4           | \$ —     | \$ —    | \$ —     | \$ 4                |
| <b>Investments:</b>                            |                |          |         |          |                     |
| Cash and cash equivalents                      | 2,084          | 270      | —       | —        | 2,354               |
| Fixed-income securities:                       |                |          |         |          |                     |
| U.S. government                                | —              | 413      | —       | —        | 413                 |
| U.S. government agencies                       | —              | 511      | —       | —        | 511                 |
| U.S. corporate                                 | —              | 728      | 19      | —        | 747                 |
| Foreign                                        | —              | 55       | —       | —        | 55                  |
| Common and preferred stocks:                   |                |          |         |          |                     |
| U.S.                                           | 929            | —        | —       | —        | 929                 |
| Foreign                                        | 554            | —        | 24      | —        | 578                 |
| Funds:                                         |                |          |         |          |                     |
| Fixed-income                                   | 449            | 10       | —       | —        | 459                 |
| Equities                                       | 912            | 631      | —       | —        | 1,543               |
| Other investments                              | —              | —        | —       | —        | —                   |
| Less securities under lending agreement        | (114)          | —        | —       | —        | (114)               |
| Investments at NAV                             | —              | —        | —       | 7,568    | 7,568               |
| Total investments                              | 4,814          | 2,618    | 43      | 7,568    | 15,043              |
| Investments under securities lending agreement | 114            | —        | —       | —        | 114                 |
| <b>Other long-term assets:</b>                 |                |          |         |          |                     |
| Trust receivables                              | 76             | 30       | 84      | —        | 190                 |
| Technology-based ventures                      | —              | —        | 102     | —        | 102                 |
| Total other long-term assets                   | 76             | 30       | 186     | —        | 292                 |
| Total assets at fair value                     | \$ 5,008       | \$ 2,648 | \$ 229  | \$ 7,568 | \$ 15,453           |
| <b>Liabilities:</b>                            |                |          |         |          |                     |
| Securities lending payable                     | \$ 4           | \$ —     | \$ —    | \$ —     | 4                   |
| Total liabilities at fair value                | \$ 4           | \$ —     | \$ —    | \$ —     | \$ 4                |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

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

|                                                | December 31, 2020 |          |         |          |                     |
|------------------------------------------------|-------------------|----------|---------|----------|---------------------|
|                                                | Level 1           | Level 2  | Level 3 | NAV      | Total<br>Fair Value |
| <b>Assets:</b>                                 |                   |          |         |          |                     |
| Securities lending collateral                  | \$ 2              | \$ —     | \$ —    | \$ —     | \$ 2                |
| <b>Investments:</b>                            |                   |          |         |          |                     |
| Cash and cash equivalents                      | 1,980             | 185      | —       | —        | 2,165               |
| Fixed-income securities:                       |                   |          |         |          |                     |
| U.S. government                                | —                 | 450      | —       | —        | 450                 |
| U.S. government agencies                       | —                 | 439      | —       | —        | 439                 |
| U.S. corporate                                 | —                 | 648      | 15      | —        | 663                 |
| Foreign                                        | —                 | 46       | —       | —        | 46                  |
| Common and preferred stocks:                   |                   |          |         |          |                     |
| U.S.                                           | 870               | —        | —       | —        | 870                 |
| Foreign                                        | 529               | —        | 25      | —        | 554                 |
| Funds:                                         |                   |          |         |          |                     |
| 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                      | —                 | —        | 92      | —        | 92                  |
| Total other long-term assets                   | 74                | 29       | 175     | —        | 278                 |
| Total assets at fair value                     | \$ 4,736          | \$ 2,397 | \$ 215  | \$ 7,290 | \$ 14,638           |
| <b>Liabilities:</b>                            |                   |          |         |          |                     |
| Securities lending payable                     | \$ 2              | \$ —     | \$ —    | \$ —     | 2                   |
| Total liabilities at fair value                | \$ 2              | \$ —     | \$ —    | \$ —     | 2                   |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 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 \$348 and \$572 more than its carrying value at March 31, 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 March 31, 2021, alternative investments recorded at NAV consisted of the following:

|                                 | Fair<br>Value   | Unfunded<br>Commitment | Redemption<br>Frequency (If<br>Currently Eligible) | Redemption<br>Notice<br>Period |
|---------------------------------|-----------------|------------------------|----------------------------------------------------|--------------------------------|
| Absolute return/hedge funds (a) | \$ 3,549        | \$ 87                  | Monthly to annually                                | 30–90 days                     |
| Private partnerships (b)        | 4,019           | 1,466                  |                                                    |                                |
| Total alternative investments   | <u>\$ 7,568</u> | <u>\$ 1,553</u>        |                                                    |                                |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

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

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

|                                 | Fair<br>Value   | Unfunded<br>Commitment | Redemption<br>Frequency (If<br>Currently Eligible) | Redemption<br>Notice<br>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 March 31, 2021 and December 31, 2020, the aggregate market value of securities on loan under securities lending agreements totaled \$114 and \$38, respectively, and the total value of the collateral supporting the securities is \$119 and \$39, respectively, which represents 105 and 104 percent of the value of the securities on loan at March 31, 2021 and December 31, 2020, respectively. The cash portion of the collateral supporting the securities as of March 31, 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

March 31, 2021 (in Millions)

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### Note 8. 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:

|                                         | March 31, 2021  | December 31, 2020 |
|-----------------------------------------|-----------------|-------------------|
| Research                                | \$ 1,346        | \$ 1,269          |
| Education                               | 311             | 296               |
| Buildings and equipment                 | 3               | 3                 |
| Charity care                            | 12              | 11                |
| Clinical                                | 171             | 166               |
| Other                                   | 1,125           | 1,061             |
| Total designation for specified purpose | <u>\$ 2,968</u> | <u>\$ 2,806</u>   |

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

|                                | March 31, 2021  | December 31, 2020 |
|--------------------------------|-----------------|-------------------|
| Quasi endowments               | \$ 2,843        | \$ 2,694          |
| Professional liability reserve | 125             | 112               |
| Total                          | <u>\$ 2,968</u> | <u>\$ 2,806</u>   |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

**Note 9. 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:

|                                                | March 31, 2021 | December 31, 2020 |
|------------------------------------------------|----------------|-------------------|
| Subject to expenditure for specified purposes: |                |                   |
| Research                                       | \$ 516         | \$ 443            |
| Education                                      | 60             | 42                |
| Buildings and equipment                        | 253            | 226               |
| Charity care                                   | 39             | 36                |
| Clinical                                       | 67             | 58                |
| Other                                          | 39             | 37                |
| Total expenditure for specified purposes       | 974            | 842               |
| Subject to passage of time:                    |                |                   |
| Pledges and trusts                             | 544            | 470               |
| Endowments:                                    |                |                   |
| Perpetual in nature:                           |                |                   |
| Research                                       | 1,086          | 1,078             |
| Education                                      | 236            | 229               |
| Charity care                                   | 14             | 14                |
| Clinical                                       | 200            | 195               |
| Other                                          | 29             | 29                |
| Pledges and trusts                             | 286            | 293               |
| Total perpetual in nature                      | 1,851          | 1,838             |
| Subject to endowment spending policy:          |                |                   |
| Research                                       | 757            | 670               |
| Education                                      | 347            | 320               |
| Charity care                                   | 40             | 36                |
| Clinical                                       | 154            | 135               |
| Other                                          | 41             | 38                |
| Total subject to endowment spending policy     | 1,339          | 1,199             |
| Total endowments                               | 3,190          | 3,037             |
| Total net assets with donor restrictions       | \$ 4,708       | \$ 4,349          |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

**Note 9. 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 March 31:

|                                                   | 2021  | 2020  |
|---------------------------------------------------|-------|-------|
| Research                                          | \$ 34 | \$ 20 |
| Education                                         | 5     | 7     |
| Buildings and equipment                           | 1     | 1     |
| Other                                             | 8     | 11    |
| Total net assets released from donor restrictions | \$ 48 | \$ 39 |

**Note 10. 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 March 31, 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         | \$ 1,785     | \$ 46                       | \$ 160   | \$ 79                        | \$ 23                      | \$ 3                 | \$ 42            | \$ 2,138       |  |
| Supplies and services         | 726          | 255                         | 58       | 12                           | 1                          | —                    | 14               | 1,066          |  |
| Depreciation and amortization | 125          | 2                           | 16       | 3                            | 4                          | —                    | 1                | 151            |  |
| Facilities                    | 59           | 1                           | 4        | 3                            | 5                          | —                    | —                | 72             |  |
| Finance & investment          | 38           | —                           | 4        | —                            | —                          | —                    | (9)              | 33             |  |
| Total                         | \$ 2,733     | \$ 304                      | \$ 242   | \$ 97                        | \$ 33                      | \$ 3                 | \$ 48            | \$ 3,460       |  |

  

| 2020                          |              |                             |          |                              |                            |                      |                  |                |  |
|-------------------------------|--------------|-----------------------------|----------|------------------------------|----------------------------|----------------------|------------------|----------------|--|
|                               | Patient care | Lab and technology ventures | Research | Graduate and other education | General and administrative | Development expenses | Other activities | Total expenses |  |
| Salaries and benefits         | \$ 1,740     | \$ 41                       | \$ 151   | \$ 75                        | \$ 10                      | \$ 3                 | \$ (95)          | \$ 1,925       |  |
| Supplies and services         | 694          | 225                         | 60       | 16                           | 2                          | 1                    | 11               | 1,009          |  |
| Depreciation and amortization | 128          | 2                           | 15       | 3                            | 2                          | —                    | 1                | 151            |  |
| Facilities                    | 61           | 1                           | 4        | 3                            | 3                          | —                    | —                | 72             |  |
| Finance & investment          | 35           | —                           | 5        | —                            | —                          | —                    | (6)              | 34             |  |
| Total                         | \$ 2,658     | \$ 269                      | \$ 235   | \$ 97                        | \$ 17                      | \$ 4                 | \$ (89)          | \$ 3,191       |  |



**Notes to Unaudited Condensed Consolidated Financial Statements**  
**March 31, 2021 (in Millions)**

**Note 11. 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 March 31 are as follows for the defined-benefit pension plans:

|                                | Qualified     |               |
|--------------------------------|---------------|---------------|
|                                | 2021          | 2020          |
| Service cost                   | \$ 173        | \$ 138        |
| Interest cost                  | 87            | 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>\$ 141</u> | <u>\$ 110</u> |

Components of net periodic benefit cost for the three months ended March 31 are as follows for the other postretirement benefits:

|                               | Postretirement Benefits |              |
|-------------------------------|-------------------------|--------------|
|                               | 2021                    | 2020         |
| Service cost                  | \$ 2                    | \$ 3         |
| Interest cost                 | 8                       | 10           |
| Amortization of unrecognized: |                         |              |
| Prior service benefit         | —                       | (5)          |
| Net actuarial loss            | 8                       | 7            |
| Net periodic cost             | <u>\$ 18</u>            | <u>\$ 15</u> |

**Note 12. 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 March 31, 2021, approximated \$1,655, 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.



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

**March 31, 2021 (in Millions)**

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### **Note 13. 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.

### **Note 14. 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 Shakhboub 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 March 31, 2021. The brand license and hospital expertise agreements were effective January 2021.

### **Note 15. Subsequent Events**

The Clinic evaluated events and transactions occurring subsequent to March 31, 2021, through May 13, 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. In addition, there were not any nonrecognized subsequent events requiring disclosure except on April 1, 2021, the Clinic entered into an agreement to issue bonds in the amount of \$500 with a 3.196 percent fixed rate of interest due in 2061. The proceeds of the bonds will be used for general corporate purposes.



# MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE THREE-MONTH PERIOD  
ENDED MARCH 31, 2021

May 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 are more experienced in treating rare and complex conditions.

### THE RIGHT ANSWERS

Successful treatment starts with an accurate diagnosis and our experts take the time to get it right. A team of specialists listen to patients' needs and evaluate their condition from every angle to make the very best, patient-centered plan. At Mayo Clinic, every aspect of care is coordinated, and teams of experts 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 No. 1 for five consecutive years as the top hospital in the nation.

### ABOUT MAYO CLINIC

Mayo Clinic is one of the largest not-for-profit academic health systems in the U.S., with \$14 billion in annual revenues and 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, Ariz.; and Jacksonville, Fla. Mayo Clinic Health System has 51 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 injured survivors. 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 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 that is inherent 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

### **Mayo Clinic again recognized as best hospital in the world in Newsweek rankings**

Mayo was again ranked No. 1 in the world by Newsweek in its list of the "World's Best Hospitals," a tribute to the work of staff across Mayo Clinic. Mayo Clinic in Rochester was ranked No. 1 on the list, which was released on Wednesday, March 3. Mayo Clinic in Arizona was ranked No. 12 and Mayo Clinic in Florida was ranked No. 20 on the companion list of the "Best Hospitals in the U.S." Mayo Clinic Health System in Eau Claire, Wisconsin, Mayo Clinic Health System in Albert Lea and Austin, Minnesota, and Mayo Clinic Health System in La Crosse, Wisconsin, also were included in the list.

The Newsweek rankings are based on patient survey results, hospital recommendations from peers gathered through an international survey of more than 74,000 health care professionals, and key performance metrics such as patient safety, hygiene measures and quality of care. The hospitals named in the list, according to Newsweek, stand out for their consistent excellence, including distinguished physicians, top-notch nursing care and state-of-the-art technology.

### **Mayo Clinic is founding member of World Economic Forum's Partnering for Racial Justice in Business coalition**

The World Economic Forum this week launched a global coalition to tackle racism in the workplace. Mayo Clinic is a founding member of the Partnering for Racial Justice in Business initiative, a coalition committed to building an equitable and inclusive workplace for all.

The initiative is aimed at tackling exclusion and bias, as well as discrimination related to race, gender, ability, sexual orientation, and all other forms of human diversity. The coalition brings together 48 organizations representing 13 industries and more than 5.5 million employees worldwide.

"Mayo Clinic stands united in strong commitment toward anti-racism and rejecting all discrimination," says Anjali Bhagra, M.D., medical director for Mayo Clinic's Office of Equity, Diversity and Inclusion. "Our vision is to create a global environment of empowered belonging for everyone. This vision of belonging is a welcoming culture where all voices and perspectives are encouraged, acknowledged, celebrated, and valued."

The coalition has set three areas of focus to create change in the workplace:

- Creating equitable pathways to opportunities at work.
- Building inclusive products, services, and supply chains.
- Support communities and take part in public advocacy

These areas of focus align with Mayo Clinic's \$100 million effort to eradicate racism in all its forms and the institution's core values to put the needs of the patient first, regardless of the color of their skin. The coalition will work to eradicate racism by setting new global standards for racial equity in business and providing a platform for institutions to collectively advocate for inclusive policy change.



**Mayo Clinic ranked No. 3 on Forbes list of 'America's Best Large Employers'**

Mayo was the top health care organization on the list. Forbes partnered with the market research firm Statista to create its list of America's Best Large Employers. The list was compiled by surveying 38,000 people working for businesses with at least 1,000 employees. Participants were asked to rate their willingness to recommend their own employers to friends and family, and to nominate organizations other than their own.

Mayo Clinic also appears on these Forbes lists:

- America's Top Charities 2020
- Best Employers for New Grads 2020
- America's Best Employers by State 2020
- Best Employers for Women 2020
- Best Employers for Diversity 2020

External recognition of Mayo Clinic as a top employer builds pride among staff and attracts some of the best candidates to the organization. Often, external programs validate what Mayo Clinic learns from internal assessments.

**Google to open office in Rochester as it deepens collaboration with Mayo Clinic**

Google announced that it will open an office in Rochester as it strengthens its strategic partnership with Mayo Clinic to transform health care through technology.

Google announced in February that it will open its first office in Minnesota, in the Collider Coworking space in the Conley-Maass-Downs Building in downtown Rochester. The office will offer a physical presence in Rochester to strengthen Google's strategic partnership with Mayo Clinic to transform health care through technology. The office will officially open later this year once it's deemed safe to open in line with local and state COVID-19 guidelines.

In 2019, Mayo Clinic and Google announced a strategic partnership aimed at accelerating innovation and redefining health care delivery. The partnership brought together Google's industry-leading data security and computer engineering talent and Mayo Clinic's world-class research, education, and clinical expertise to solve difficult and complex health care challenges.

Together, they began to build the Mayo Clinic Cloud, which contains vast amounts of data in a safe, private, and secure environment. And late last year, Mayo Clinic announced the creation of an Artificial Intelligence Factory, built on Mayo's partnership with Google and the Mayo Clinic Cloud, which puts powerful tools and data at the fingertips of clinicians and researchers.

Google's new office in Rochester will eventually allow Google engineers to work side by side with Mayo Clinic researchers, physicians, information technology staff and data scientists to further this collaboration to bring advanced computing approaches to health care challenges.

**University of Minnesota partners with Mayo, Google for new education program**

The University of Minnesota is partnering with Mayo Clinic and Google to launch NXT GEN MED, a new health care education program that combines tools and technology from Google with health care knowledge and mentorship from Mayo Clinic.

The University of Minnesota has announced that it is partnering with Mayo Clinic and Google to launch the university's new NXT GEN MED program. The program will combine tools and technology from Google for virtual learning, and mentorship and guidance from Mayo Clinic to provide a Bachelor of Science in Health Sciences degree in a shortened timespan — reducing two years from the university's traditional four-year degree program.

The first academic term will launch in Summer 2022. "The world of health care is dynamic and exciting. It demands new and creative ways to educate and prepare the next generation of leaders," said University President Joan Gabel. "As challenging as the times are that we find ourselves in, they also offer us the rare opportunity to try something entirely new. NXT GEN MED will deliver our Rochester campus' accessible, innovative, and affordable instruction with immediate, real-world application. We are thrilled to be working with Google on this first-of-its kind partnership, and we look forward to welcoming our first cohort of students next year."

**Mayo Clinic Alix School of Medicine ranks among top medical schools in the US**

Mayo Clinic Alix School of Medicine is ranked as one of the top medical schools in the country and continues to be recognized as a transformative leader in biomedical education. Mayo Clinic Alix School of Medicine has again been ranked among the "Best Graduate Schools" in the nation by U.S. News & World Report. The school was ranked No. 11 in the U.S. News rankings, which were released March 30.

Mayo Clinic Alix School of Medicine is revolutionizing health care from within by educating the next generation of physician leaders who will improve patient lives through compassion, research, and leadership. The school's multicampus curriculum immerses students in the compassionate standard of Mayo's medical practice and provides a unique learning environment that pairs medical students with world-class physicians to Cure, Connect and Transform health care.

Students use that experience during their tenure at Mayo, with more than 80% of medical students graduating with a research manuscript published in a peer-reviewed journal. This is more than twice the national average. The school also is advancing the recruitment of applicants who reflect culturally and socially underrepresented demographics in medicine to increase the diversity of people who work in health care. These future physicians will treat diverse patient populations at Mayo Clinic and around the world.

**\$60 million gift to Mayo Clinic will accelerate efforts to transform health care delivery**

A generous \$60 million gift from philanthropist Helene Houle of St. Paul, Minnesota, will help Mayo Clinic accelerate its efforts to transform health care delivery in Minnesota. In honor of the gift, Mayo Clinic will name the recently completed patient bed tower at the Saint Marys Campus of Mayo Clinic Hospital — Rochester after Ms. Houle's husband, the late John Nasseff.

The family's relationship with Mayo Clinic began when Mr. Nasseff's youngest son, Arthur Nasseff, had lifesaving surgery at Saint Marys Hospital in the 1960s, when he was 16 years old. Mr. Nasseff and Ms. Houle have made several gifts to Mayo Clinic to honor Arthur's surgeon, Burton Onofrio, M.D., and other physicians who have cared for the family over seven decades — including in neurosurgery, cardiology, and rheumatology.

**Marking the first anniversary of Sheikh Shakhbout Medical City joint venture**

Mayo Clinic and Abu Dhabi Health Services Company (SEHA) in January marked the first anniversary of their joint venture to operate Sheikh Shakhbout Medical City, one of the United Arab Emirates' largest hospitals providing care for patients with serious and complex medical conditions. The joint venture is a shared commitment to improve the quality of patient care in the United Arab Emirates and beyond.

Since its opening in January 2020, Sheikh Shakhbout Medical City has completed more than 270,000 outpatient visits, cared for 17,000 inpatients, and provided emergency care to 94,000 people. The hospital has performed more than 8,500 surgical procedures, including the region's first spiral enteroscopy and first artificial intelligence-aided colonoscopy. The hospital received more than 27,500 referrals last year. With the introduction of connected care, care teams were able to connect virtually with patients and deliver health care remotely. During the past year, Sheikh Shakhbout Medical City saw more than 23,000 patients via telemedicine, with remote appointments increasing 325% at the height of the pandemic.

**Mayo Clinic number four in DiversityInc's 'Top Hospital and Health Systems' ranking**

Mayo Clinic was ranked on two specialty lists among DiversityInc's "Top 50 Companies for Diversity." Mayo placed No. 4 among "Top Hospitals and Health Systems for Diversity," up from No. 7 in 2020. It also ranked for the first time among the "Top Companies for People With Disabilities," at No. 19.

The DiversityInc survey assesses how U.S. companies with more than 1,000 staff members manage diversity. The rankings are considered the leading assessment of corporate diversity.

## 2021: DISCUSSION OF FIRST QUARTER RESULTS

Mayo Clinic reported strong financial performance during the first quarter of 2021, generating operating income of \$243 million on \$3.70 billion of revenue, a 6.6% operating margin. Excess revenue over expenses (net income) was \$782 million, a 21.1% margin.

|                               | Three Months Ended<br>March 31, |                |              | Change         |            | Change       |            |
|-------------------------------|---------------------------------|----------------|--------------|----------------|------------|--------------|------------|
|                               | 2019                            | 2020           | 2021         | From 2020      |            | From 2019    |            |
| (in Millions):                |                                 |                |              |                |            |              |            |
| Revenue                       | \$3,319                         | \$3,161        | \$3,703      | \$542          | 17.1%      | \$384        | 11.6%      |
| Expenses                      | 3,106                           | 3,191          | 3,460        | 269            | 8.4%       | 354          | 11.4%      |
| <b>Net Operating Income</b>   | <b>\$213</b>                    | <b>(\$30)</b>  | <b>\$243</b> | <b>\$273</b>   | <b>N/A</b> | <b>\$30</b>  | <b>N/A</b> |
| Noncurrent & other items      | 426                             | (593)          | 539          | 1,132          | N/A        | 113          | N/A        |
| <b>Revenue over expenses</b>  | <b>\$639</b>                    | <b>(\$623)</b> | <b>\$782</b> | <b>\$1,405</b> | <b>N/A</b> | <b>\$143</b> | <b>N/A</b> |
| Postretirement Adj.           | 21                              | 51             | 72           | 21             | 41.2%      | 51           | 242.9%     |
| <b>Increase in net assets</b> | <b>\$660</b>                    | <b>(\$572)</b> | <b>\$854</b> | <b>\$1,426</b> | <b>N/A</b> | <b>\$194</b> | <b>N/A</b> |

### REVENUE

Mayo Clinic's operating revenue for the quarter was \$3.70 billion, reflecting 17.1% growth over Q1 2020. Net medical service revenue in the first quarter was \$3.15 billion, which was a 12.1% growth rate over 2020.

|                             | Three Months Ended<br>March 31, |                |                | Change       |              |
|-----------------------------|---------------------------------|----------------|----------------|--------------|--------------|
|                             | 2019                            | 2020           | 2021           | From 2020    | From 2019    |
| Revenue (in Millions):      |                                 |                |                |              |              |
| Net medical service revenue | \$2,789                         | \$2,810        | \$3,149        | 12.1%        | 12.9%        |
| Grants and contracts        | 157                             | 132            | 141            | 6.8%         | -10.2%       |
| Contributions               | 38                              | 46             | 38             | -17.4%       | 0.0%         |
| Investments                 | 64                              | 62             | 66             | 6.5%         | 3.1%         |
| Other                       | 271                             | 111            | 309            | 178.4%       | 14.0%        |
| <b>Total revenue</b>        | <b>\$3,319</b>                  | <b>\$3,161</b> | <b>\$3,703</b> | <b>17.1%</b> | <b>11.6%</b> |

## VOLUME METRICS

The quarter's clinical volumes were mixed as shown in the table below. Outpatient visits and surgeries were higher than 2020 and 2019. Admissions and patient days were lower than 2020 and 2019.

|                   | Three Months Ended<br>March 31, |           |           | Change       |              |
|-------------------|---------------------------------|-----------|-----------|--------------|--------------|
|                   | 2019                            | 2020      | 2021      | From<br>2020 | From<br>2019 |
| Outpatient Visits | 1,156,239                       | 1,134,583 | 1,156,158 | 1.9%         | 0.0%         |
| Surgical Cases    | 31,967                          | 31,165    | 32,689    | 4.9%         | 2.3%         |
| Admissions        | 32,033                          | 30,645    | 29,230    | -4.6%        | -8.8%        |
| Patient Days      | 164,658                         | 162,339   | 161,161   | -0.7%        | -2.1%        |

## EXPENSES

Mayo Clinic's operating expenses for the first quarter were \$3.46 billion, 8.4% above the Q1 2020 expenses. Salaries and benefits were \$2.1 billion and represented 61.8% of the total.

|                         | Three Months Ended<br>March 31, |                |                | Change       |              |
|-------------------------|---------------------------------|----------------|----------------|--------------|--------------|
|                         | 2019                            | 2020           | 2021           | From<br>2020 | From<br>2019 |
| Expenses (in Millions): |                                 |                |                |              |              |
| Salaries and benefits   | \$1,915                         | \$1,925        | \$2,138        | 11.1%        | 11.6%        |
| Supplies and services   | 947                             | 1,009          | 1,066          | 5.6%         | 12.6%        |
| Facilities              | 210                             | 223            | 223            | 0.0%         | 6.2%         |
| Finance and investment  | 34                              | 34             | 33             | -2.9%        | -2.9%        |
| <b>Total expenses</b>   | <b>\$3,106</b>                  | <b>\$3,191</b> | <b>\$3,460</b> | <b>8.4%</b>  | <b>11.4%</b> |

## CASH, INVESTMENTS, AND BALANCE SHEET STRENGTH

Cash and investments totaled \$15.2 billion at March 31, 2021, an increase of \$781.7 million since the end of 2020. Factors contributing to the improvement in cash and investments include:

- \$442 million in net cash flow from operations, an increase of \$188 million from 2020
- \$422 million in investment gains not in operations
- \$42 million net in development for endowment and capital

## Q1 2021 Financial Highlights

Of the \$15.2 billion total, \$3.0 billion is held in working capital/cash and short-term funds and is readily available for liquidity purposes. In late March, Mayo Clinic issued an additional \$500 million in 40-year taxable bonds and bearing interest at 3.196%. Funding occurred in early April, so this additional debt and proceeds is not reflected in the balance sheet metrics shown here.

As of March 31, 2021, Mayo's cash and investment position included \$11.20 billion in long-term investments that are held in its primary investment vehicle, the Long-Term Fund (LTF). The LTF is composed of \$5.76 billion of endowed funds (both donor and board-restricted) and \$5.44 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 March 31, 2021, the LTF's trailing one-year return was 34.1%. Over longer time periods as of the same date, the fund generated annualized investment returns of 12.4% over the trailing five years, 10.0% over the trailing ten years, and 9.2% over the trailing 20 years.

Key balance sheet ratios are stable or improved, reflecting the combined effects of continued strong operating performance as well as liquidity management.

|                             | 3/31/2021 | 12/31/2020 | 12/31/2019 |
|-----------------------------|-----------|------------|------------|
| Days Revenue Outstanding    | 51.5      | 50.8       | 61.7       |
| Days Cash on Hand           | 362       | 348        | 270        |
| Debt Service Coverage Ratio | 8.3x      | 6.6x       | 8.4x       |
| Cash to Debt                | 330%      | 311%       | 268%       |
| Debt to Capitalization      | 31%       | 32%        | 33%        |

## SUMMARY

Mayo Clinic's first quarter 2021 financial report continues the recent 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 of caring for COVID-19 patients, developing lifesaving treatments, and conducting the testing and research that is essential to finding therapeutics, while advancing our mission to cure, connect, and transform.