Mayo Clinic

Unaudited Condensed Consolidated Financial Reports
June 30, 2021

Mayo Clinic

Contents

Unaudited Consolidated Financial Reports

MAYO CLINIC

Condensed Consolidated Statements of Financial Position
(In Millions)

	June 30, 2021 Unaudited	December 31, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 42	$ 72
Accounts receivable for medical services	1,860	1,756
Securities lending collateral	5	2
Other receivables	553	576
Other current assets	295	252
Total current assets	2,755	2,658
Investments	16,527	14,320
Investments under securities lending agreement	70	38
Other long-term assets	1,364	1,204
Property, plant and equipment, net	5,064	4,964
Total assets	$ 25,780	$ 23,184
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 521	$ 584
Accrued payroll	756	797
Accrued employee benefits	161	163
Deferred revenue	67	90
Long-term variable-rate debt	760	620
Mandatory tender debt	135	135
Securities lending payable	5	2
Other current liabilities	440	470
Total current liabilities	2,845	2,861
Long-term debt, net of current portion	3,453	3,097
Accrued pension and postretirement benefits, net of current portion	2,839	2,897
Other long-term liabilities	2,103	1,964
Total liabilities	11,240	10,819
Net assets:		
Without donor restrictions	9,572	8,016
With donor restrictions	4,968	4,349
Total net assets	14,540	12,365
Total liabilities and net assets	$ 25,780	$ 23,184

See notes to condensed consolidated financial statements.

MAYO CLINIC

Condensed Consolidated Statements of Activities
Unaudited (in Millions)

	Three Months Ended June 30, 2021			Three Months Ended June 30, 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	**$ 3,343**	**$ —**	**$ 3,343**	$ 2,425	$ —	$ 2,425
Grants and contracts	**150**	**—**	**150**	137	—	137
Investment return allocated to current activities	**50**	**4**	**54**	58	9	67
Contributions available for current activities	**19**	**90**	**109**	22	55	77
Other	**336**	**—**	**336**	457	—	457
Net assets released from restrictions	**94**	**(94)**	**—**	58	(58)	—
Total revenue, gains and other support	**3,992**	**—**	**3,992**	3,157	6	3,163
Expenses:						
Salaries and benefits	**2,192**	**—**	**2,192**	1,953	—	1,953
Supplies and services	**1,081**	**—**	**1,081**	867	—	867
Depreciation and amortization	**153**	**—**	**153**	151	—	151
Facilities	**77**	**—**	**77**	62	—	62
Finance and investment	**38**	**—**	**38**	33	—	33
Total expenses	**3,541**	**—**	**3,541**	3,066	—	3,066
Income from current activities	**451**	**—**	**451**	91	6	97
Noncurrent and other items:						
Contributions not available for current activities, net	**(4)**	**61**	**57**	(4)	49	45
Unallocated investment return, net	**539**	**199**	**738**	177	74	251
Income tax expense	**(13)**	**—**	**(13)**	(8)	—	(8)
Benefit credit	**16**	**—**	**16**	15	—	15
Other	**—**	**—**	**—**	3	—	3
Total noncurrent and other items	**538**	**260**	**798**	183	123	306
Increase in net assets before other changes in net assets	**989**	**260**	**1,249**	274	129	403
Pension and other postretirement benefit adjustments	**72**	**—**	**72**	52	—	52
Increase in net assets	**1,061**	**260**	**1,321**	**326**	**129**	**455**
Net assets at beginning of period	**8,511**	**4,708**	**13,219**	6,163	3,659	9,822
Net assets at end of period	**$ 9,572**	**$ 4,968**	**$ 14,540**	$ 6,489	$ 3,788	$ 10,277

See notes to condensed consolidated financial statements.

MAYO CLINIC

Condensed Consolidated Statements of Activities
Unaudited (in Millions)

	Six Months Ended June 30, 2021			Six Months Ended June 30, 2020		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	**$ 6,492**	**$ —**	**$ 6,492**	$ 5,235	$ —	$ 5,235
Grants and contracts	**291**	**—**	**291**	269	—	269
Investment return allocated to current activities	**108**	**12**	**120**	111	18	129
Contributions available for current activities	**28**	**119**	**147**	33	90	123
Other	**645**	**—**	**645**	568	—	568
Net assets released from restrictions	**142**	**(142)**	**—**	97	(97)	—
Total revenue, gains and other support	**7,706**	**(11)**	**7,695**	6,313	11	6,324
Expenses:						
Salaries and benefits	**4,330**	**—**	**4,330**	3,878	—	3,878
Supplies and services	**2,147**	**—**	**2,147**	1,876	—	1,876
Depreciation and amortization	**304**	**—**	**304**	302	—	302
Facilities	**149**	**—**	**149**	134	—	134
Finance and investment	**71**	**—**	**71**	67	—	67
Total expenses	**7,001**	**—**	**7,001**	6,257	—	6,257
Income (loss) from current activities	**705**	**(11)**	**694**	56	11	67
Noncurrent and other items:						
Contributions not available for current activities, net	**(13)**	**186**	**173**	(12)	140	128
Unallocated investment return, net	**716**	**444**	**1,160**	(358)	(78)	(436)
Income tax expense	**(27)**	**—**	**(27)**	(14)	—	(14)
Benefit credit	**31**	**—**	**31**	31	—	31
Other	**—**	**—**	**—**	4	—	4
Total noncurrent and other items	**707**	**630**	**1,337**	(349)	62	(287)
Increase (decrease) in net assets before other changes in net assets	**1,412**	**619**	**2,031**	(293)	73	(220)
Pension and other postretirement benefit adjustments	**144**	**—**	**144**	103	—	103
Increase (decrease) in net assets	**1,556**	**619**	**2,175**	**(190)**	**73**	**(117)**
Net assets at beginning of period	**8,016**	**4,349**	**12,365**	6,679	3,715	10,394
Net assets at end of period	**$ 9,572**	**$ 4,968**	**$ 14,540**	$ 6,489	$ 3,788	$ 10,277

See notes to condensed consolidated financial statements.

MAYO CLINIC

Condensed Consolidated Statements of Cash Flows
Unaudited (In Millions)

	Six Months Ended June 30, 2021	Six Months Ended June 30, 2020
Cash flows from operating activities:		
Cash from medical services	$ 5,883	$ 4,963
Cash from external lab services	505	358
Cash from grants and contracts	306	281
Cash from benefactors	114	105
Cash from other activities	468	659
Cash for salaries and benefits	(4,154)	(3,497)
Cash for supplies, services, and facilities	(2,408)	(2,049)
Interest and dividends received	90	62
Interest paid	(59)	(56)
Income taxes paid	(56)	(14)
Net cash provided by operating activities	689	812
Cash flows from investing activities:		
Purchase of property, plant and equipment	(387)	(344)
Purchases of investments	(4,026)	(4,073)
Sales and maturities from investments	3,078	2,160
Net cash used in investing activities	(1,335)	(2,257)
Cash flows from financing activities:		
Restricted gifts, bequests and other	122	128
Borrowing on long-term debt	500	530
Payment of long-term debt	(3)	(140)
Medicare advance payments	—	915
Payment on leases	(3)	—
Net cash provided by financing activities	616	1,433
Net decrease in cash and cash equivalents	(30)	(12)
Cash and cash equivalents at beginning of period	72	48
Cash and cash equivalents at end of period	$ 42	$ 36

See notes to condensed consolidated financial statements.

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

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 six months ended June 30, 2021 are not necessarily indicative of the results to be expected for the year ending December 31, 2021. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2020.

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

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

Note 2. New Accounting Standards

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

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

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.

June 30, 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 June 30, 2021 and December 31, 2020:

	June 30, 2021	December 31, 2020
Cash and cash equivalents	$ 42	$ 72
Accounts receivable	1,860	1,756
Promises to give	227	234
Grants receivable	121	134
Other receivables	205	208
Investments	10,659	8,878
Total financial assets available within one year	$ 13,114	$ 11,282

Note 4. Medical Service Revenue

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

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

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

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

Note 4. Medical Service Revenue (Continued)

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

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

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

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

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

June 30, 2021 (in Millions)

Note 4. Medical Service Revenue (Continued)

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

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

	Three Months Ended June 30, 2021			
	Midwest	Southeast	Southwest	Total
Hospital	$ 1,275	$ 249	$ 293	$ 1,817
Clinic	855	202	233	1,290
Senior Care and Nursing Home	3	—	—	3
Other	13	—	—	13
Total patient care service revenue	2,146	451	526	3,123
External lab	220	—	—	220
Total medical service revenue	$ 2,366	$ 451	$ 526	$ 3,343
Timing of revenue and recognition:				
At time services are rendered	$ 1,088	$ 202	$ 233	$ 1,523
Services transferred over time	1,278	249	293	1,820
Total	$ 2,366	$ 451	$ 526	$ 3,343

	Three Months Ended June 30, 2020			
	Midwest	Southeast	Southwest	Total
Hospital	$ 935	$ 190	$ 235	$ 1,360
Clinic	579	134	152	865
Senior Care and Nursing Home	4	—	—	4
Other	10	—	—	10
Total patient care service revenue	1,528	324	387	2,239
External lab	186	—	—	186
Total medical service revenue	$ 1,714	$ 324	$ 387	$ 2,425
Timing of revenue and recognition:				
At time services are rendered	$ 775	$ 134	$ 152	$ 1,061
Services transferred over time	939	190	235	1,364
Total	$ 1,714	$ 324	$ 387	$ 2,425

June 30, 2021 (in Millions)

Note 4. Medical Service Revenue (Continued)

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

	Six Months Ended June 30, 2021			
	Midwest	Southeast	Southwest	Total
Hospital	$ 2,457	$ 485	$ 566	$ 3,508
Clinic	1,650	395	455	2,500
Senior Care and Nursing Home	7	—	—	7
Other	25	—	—	25
Total patient care service revenue	4,139	880	1,021	6,040
External lab	452	—	—	452
Total medical service revenue	$ 4,591	$ 880	$ 1,021	$ 6,492
Timing of revenue and recognition:				
At time services are rendered	$ 2,127	$ 395	$ 455	$ 2,977
Services transferred over time	2,464	485	566	3,515
Total	$ 4,591	$ 880	$ 1,021	$ 6,492

	Six Months Ended June 30, 2020			
	Midwest	Southeast	Southwest	Total
Hospital	$ 2,020	$ 386	$ 496	$ 2,902
Clinic	1,306	287	335	1,928
Senior Care and Nursing Home	8	—	—	8
Other	23	—	—	23
Total patient care service revenue	3,357	673	831	4,861
External lab	374	—	—	374
Total medical service revenue	$ 3,731	$ 673	$ 831	$ 5,235
Timing of revenue and recognition:				
At time services are rendered	$ 1,703	$ 287	$ 335	$ 2,325
Services transferred over time	2,028	386	496	2,910
Total	$ 3,731	$ 673	$ 831	$ 5,235

June 30, 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 $244 and $180, respectively, for the three months ended June 30, 2021 and 2020 and $472 and $418, respectively, for the six months ended June 30, 2021 and 2020. Examples of revenue at time services are rendered include clinical services, lab and transport, and services transferred over time include hospital and senior care revenue.

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

	2021	2020
Medicare	$ 858	$ 613
Medicaid	110	85
Contract	1,936	1,451
Other, including self-pay	439	276
Total	$ 3,343	$ 2,425

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

	2021	2020
Medicare	$ 1,645	$ 1,327
Medicaid	220	181
Contract	3,767	3,115
Other, including self-pay	860	612
Total	$ 6,492	$ 5,235

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 and six months ended June 30, 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. Due to changes in price type, source and provider, there were $18 and $1 transfers out of Level 3 for the six months ended June 30, 2021 and 2020, respectively.

June 30, 2021 (in Millions)

Note 6. Fair Value Measurements (Continued)

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

	June 30, 2021				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	$ 5	$ —	$ —	$ —	$ 5
Investments:					
Cash and cash equivalents	2,300	333	—	—	2,633
Fixed-income securities:					
U.S. government	—	434	—	—	434
U.S. government agencies	—	561	—	—	561
U.S. corporate	—	885	—	—	885
Foreign	—	72	—	—	72
Common and preferred stocks:					
U.S.	1,014	—	—	—	1,014
Foreign	606	—	24	—	630
Funds:					
Fixed-income	441	—	—	—	441
Equities	1,000	683	—	—	1,683
Other investments	—	—	—	—	—
Less securities under lending agreement	(70)	—	—	—	(70)
Investments at NAV	—	—	—	8,244	8,244
Total investments	5,291	2,968	24	8,244	16,527
Investments under securities lending agreement	70	—	—	—	70
Other long-term assets:					
Trust receivables	80	31	90	—	201
Technology-based ventures	—	—	79	—	79
Total other long-term assets	80	31	169	—	280
Total assets at fair value	$ 5,446	$ 2,999	$ 193	$ 8,244	$ 16,882
Liabilities:					
Securities lending payable	$ 5	$ —	$ —	$ —	5
Total liabilities at fair value	$ 5	$ —	$ —	$ —	$ 5

June 30, 2021 (in Millions)

Note 6. Fair Value Measurements (Continued)

	December 31, 2020				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	$ 2	$ —	$ —	$ —	$ 2
Investments:					
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
Other long-term assets:					
Trust receivables	74	29	83	—	186
Technology-based ventures	—	—	81	—	81
Total other long-term assets	74	29	164	—	267
Total assets at fair value	$ 4,736	$ 2,397	$ 204	$ 7,290	$ 14,627
Liabilities:					
Securities lending payable	$ 2	$ —	$ —	$ —	2
Total liabilities at fair value	$ 2	$ —	$ —	$ —	$ 2

June 30, 2021 (in Millions)

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 $520 and $572 more than its carrying value at June 30, 2021 and December 31, 2020, respectively. Other long-term assets and liabilities have a carrying value that approximates fair value.

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

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

	Fair Value	Unfunded Commitment	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return/hedge funds (a)	$ 3,799	$ 87	Monthly to annually	30–90 days
Private partnerships (b)	4,445	1,497		
Total alternative investments	$ 8,244	$ 1,584		

June 30, 2021 (in Millions)

Note 6. Fair Value Measurements (Continued)

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

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

(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 June 30, 2021 and December 31, 2020, the aggregate market value of securities on loan under securities lending agreements totaled $70 and $38, respectively, and the total value of the collateral supporting the securities is $73 and $39, respectively, which represents 104 percent of the value of the securities on loan at June 30, 2021 and December 31, 2020. The cash portion of the collateral supporting the securities as of June 30, 2021 and December 31, 2020, is $5 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.

June 30, 2021 (in Millions)

Note 8. Financing

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

Note 9. Board-Designated Funds

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

	June 30, 2021	December 31, 2020
Research	$ 1,438	$ 1,269
Education	332	296
Buildings and equipment	3	3
Charity care	12	11
Clinical	182	166
Other	1,203	1,061
Total designation for specified purpose	$ 3,170	$ 2,806

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

	June 30, 2021	December 31, 2020
Quasi endowments	$ 2,988	$ 2,694
Professional liability reserve	137	112
Other reserves	45	0
Total	$ 3,170	$ 2,806

June 30, 2021 (in Millions)

Note 10. Net Assets with Donor Restrictions

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

	June 30, 2021	December 31, 2020
Subject to expenditure for specified purposes:		
Research	$ 514	$ 443
Education	55	42
Buildings and equipment	276	226
Charity care	38	36
Clinical	68	58
Other	40	37
Total expenditure for specified purposes	991	842
Subject to passage of time:		
Pledges and trusts	576	470
Endowments:		
Perpetual in nature:		
Research	1,090	1,078
Education	237	229
Charity care	14	14
Clinical	201	195
Other	29	29
Pledges and trusts	293	293
Total perpetual in nature	1,864	1,838
Subject to endowment spending policy:		
Research	882	670
Education	387	320
Charity care	45	36
Clinical	178	135
Other	45	38
Total subject to endowment spending policy	1,537	1,199
Total endowments	3,401	3,037
Total net assets with donor restrictions	$ 4,968	$ 4,349

June 30, 2021 (in Millions)

Note 10. Net Assets with Donor Restrictions (Continued)

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

	2021	2020
Research	$ 32	$ 35
Education	6	4
Buildings and equipment	51	1
Other	5	18
Total net assets released from donor restrictions	$ 94	$ 58

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

	2021	2020
Research	$ 66	$ 55
Education	11	11
Buildings and equipment	52	2
Other	13	29
Total net assets released from donor restrictions	$ 142	$ 97

June 30, 2021 (in Millions)

Note 11. Functional Expenses

The condensed consolidated financial statements present certain expenses that are attributed to more than one program or supporting function. Therefore, expenses require allocation on a reasonable basis that is consistently applied. Benefits and payroll taxes are allocated based on factors of either salary expense or hours worked. Overhead costs that include professional services, office expenses, information technology, interest, insurance, and other similar expenses are allocated based on 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 June 30, 2021 and 2020, supported the following programs and functions:

	2021							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 1,815	$ 46	$ 165	$ 80	$ 21	$ 4	$ 61	$ 2,192
Supplies and services	751	251	57	15	—	3	4	1,081
Depreciation and amortization	129	2	16	3	3	—	—	153
Facilities	63	1	4	2	6	—	1	77
Finance & investment	37	1	5	1	—	—	(6)	38
Total	$ 2,795	$ 301	$ 247	$ 101	$ 30	$ 7	$ 60	$ 3,541

	2020							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 1,573	$ 41	$ 152	$ 73	$ 10	$ 5	$ 99	$ 1,953
Supplies and services	589	212	41	11	2	1	11	867
Depreciation and amortization	127	2	16	3	3	—	—	151
Facilities	51	1	4	2	3	—	1	62
Finance & investment	34	1	4	1	—	—	(7)	33
Total	$ 2,374	$ 257	$ 217	$ 90	$ 18	$ 6	$ 104	$ 3,066

June 30, 2021 (in Millions)

Note 11. Functional Expenses (Continued)

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

	2021							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 3,600	$ 92	$ 325	$ 159	$ 44	$ 7	$ 103	$ 4,330
Supplies and services	1,477	506	115	27	1	3	18	2,147
Depreciation and amortization	254	4	32	6	7	—	1	304
Facilities	122	2	8	5	11	—	1	149
Finance & investment	75	1	9	1	—	—	(15)	71
Total	$ 5,528	$ 605	$ 489	$ 198	$ 63	$ 10	$ 108	$ 7,001

	2020							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 3,313	$ 82	$ 303	$ 148	$ 20	$ 8	$ 4	$ 3,878
Supplies and services	1,283	437	101	27	4	2	22	1,876
Depreciation and amortization	255	4	31	6	5	—	1	302
Facilities	112	2	8	5	6	—	1	134
Finance & investment	69	1	9	1	—	—	(13)	67
Total	$ 5,032	$ 526	$ 452	$ 187	$ 35	$ 10	$ 15	$ 6,257

June 30, 2021 (in Millions)

Note 12. Employee Benefit Programs

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

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

	Qualified	
	2021	2020
Service cost	$ 172	$ 139
Interest cost	88	92
Expected return on plan assets	(183)	(170)
Amortization of unrecognized:		
Prior service benefit	(12)	(12)
Net actuarial loss	76	61
Net periodic benefit cost	$ 141	$ 110

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

	Postretirement Benefits	
	2021	2020
Service cost	$ 2	$ 1
Interest cost	8	10
Amortization of unrecognized:		
Prior service benefit	—	(4)
Net actuarial loss	8	8
Net periodic cost	$ 18	$ 15

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

	Qualified	
	2021	2020
Service cost	$ 345	$ 277
Interest cost	175	185
Expected return on plan assets	(366)	(339)
Amortization of unrecognized:		
Prior service benefit	(25)	(25)
Net actuarial loss	153	122
Net periodic benefit cost	$ 282	$ 220

June 30, 2021 (in Millions)

Note 12. Employee Benefit Programs (Continued)

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

	Postretirement Benefits	
	2021	2020
Service cost	$ 4	$ 4
Interest cost	16	20
Amortization of unrecognized:		
Prior service benefit	—	(9)
Net actuarial loss	16	15
Net periodic cost	$ 36	$ 30

Note 13. Commitments and Contingencies

The Clinic has various construction projects in progress related to patient care, research, and educational facilities. The estimated costs committed to complete the various projects at June 30, 2021, approximated $1,600, all of which is expected to be expended over the next three to five years.

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

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

Note 14. COVID-19

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

Note 15. Joint Venture and Related Party

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

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

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

Note 16. Subsequent Events

The Clinic evaluated events and transactions occurring subsequent to June 30, 2021, through August 12, 2021, the date of issuance of the condensed consolidated financial statements. During this period, there were no subsequent events requiring recognition in the condensed consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.

MAYO CLINIC

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2021

August 2021

MAYO CLINIC: WHEN IT'S TIME TO FIND ANSWERS

MORE EXPERIENCE

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

THE RIGHT ANSWERS

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

UNPARALLELED EXPERTISE

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

ABOUT MAYO CLINIC

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

THE NEEDS OF THE PATIENT COME FIRST

When a tornado devastated Rochester in 1883, Dr. William Worrall Mayo, a country practitioner from England and his sons, Will and Charlie, joined the Sisters of Saint Francis in caring for 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 model 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 named nation's best hospital by U.S. News & World Report
Mayo Clinic has been named the best hospital in the nation by U.S. News & World Report. Hospitals are measured on factors such as survival rates, experience, nurse staffing, advanced technology, patient services and reputation with other specialists.

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

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

Mayo Clinic in Arizona and Mayo Clinic in Florida are ranked No. 15 and No. 26, respectively, on the rankings. This is the fifth consecutive year that Mayo Clinic in Arizona has been named a top 20 hospital and in this year’s ranking is one of only 11 hospitals out of 4,300 evaluated that received a high performing rating in all 17 procedures and conditions. Mayo Clinic Health System in Eau Claire, Wisconsin, is no. 4 among hospitals in Wisconsin and recognized as a "Best Regional Hospital" in Northwest Wisconsin.

The U.S. News & World Report "Best Hospitals" rankings feature 20 hospitals with the highest combined overall scores in 15 medical and surgical specialties, and 17 common procedures and conditions.

Mayo Clinic ranked among 'Best Children’s Hospitals' by U.S. News & World Report
Mayo Clinic Children's Center was ranked by U.S. News & World Report as a top-performing children's hospital in eight of 10 pediatric specialties considered in its 2021 rankings. The rankings demonstrate broad-based excellence and the effectiveness of the team-based approach that is the hallmark of the Mayo Clinic Model of Care.

Mayo Clinic Children's Center in Rochester is ranked the No. 1 hospital in Minnesota, and the five-state region of Iowa, Minnesota, North Dakota, South Dakota, and Wisconsin, according to U.S. News & World Report's 2021–2022 "Best Children's Hospitals" rankings.

Mayo Clinic among Best Employers for Diversity
Mayo Clinic has been named to the Forbes' list of "Best Employers for Diversity," ranking No. 18 in the "Health Care & Social" category. The ranking reflects Mayo's commitment to equity, inclusion, and diversity at all levels of the organization. "This recognition comes as Mayo Clinic is reinforcing its commitment against racism and other '-isms,' with goals to increase opportunities for women and minorities," says Anjali Bhagra, M.D., medical director of Mayo Clinic's Office of Equity, Inclusion and Diversity. "This greater diversity contributes to Mayo's success and growth, where everyone has the opportunity to advance their careers."

Mayo Clinic hospitals receive 'A' grades for patient safety
Six Mayo Clinic hospitals scored high marks for patient safety, earning an "A" grade from The Leapfrog Group, an independent, national nonprofit organization run by employers and other large purchasers of health benefits.

Mayo Clinic hospitals that received an "A" grade were:
- Mayo Clinic Hospital in Arizona
- Mayo Clinic Hospital in Florida
- Mayo Clinic Hospital in Rochester
- Mayo Clinic Health System in Eau Claire, Wisconsin
- Mayo Clinic Health System in La Crosse, Wisconsin
- Mayo Clinic Health System in Red Wing, Minnesota

Mayo Clinic hospitals earn star ratings for Overall Hospital Quality
Mayo Clinic hospitals across the organization have received Overall Hospital Quality star ratings from the Centers for Medicare & Medicaid Services. The ratings provide patients with information about several dimensions of quality. Eleven hospitals across Mayo Clinic have received star ratings from the Centers for Medicare & Medicaid Services for Overall Hospital Quality.

Hospitals earning **5 stars** were:
- Mayo Clinic Hospital in Arizona
- Mayo Clinic Hospital in Florida
- Mayo Clinic Hospital in Rochester
- Mayo Clinic Health System in Eau Claire, Wisconsin
- Mayo Clinic Health System in La Crosse, Wisconsin
- Mayo Clinic Health System in Red Wing, Minnesota

Hospitals earning **4 stars** were:
- Mayo Clinic Health System in Fairmont, Minnesota
- Mayo Clinic Health System in Mankato, Minnesota
- Mayo Clinic Health System in Menomonie, Wisconsin

Five stars is the highest score possible. The national average is 3 of 5 stars.

Mayo No. 4 in DiversityInc's 'Top Hospitals and Health Systems' rankings
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. To participate in DiversityInc's "Top Hospitals and Health Systems" ranking, Mayo Clinic submitted a detailed self-assessment, including practices and outcomes. Through the survey, organizations in the health care industry were ranked on six areas: human capital diversity metrics, leadership accountability, talent programs, workplace practices, supplier diversity and philanthropy.

Mayo Clinic has long embraced diversity and inclusion, and its priorities are reflected in these institutional goals:

- Provide high-quality, culturally appropriate care in a welcoming environment to all patients.
- Increase the diversity of Mayo Clinic patients.
- Improve inclusiveness and participation of diverse staff members at all levels of the organization.
- Increase the proportion of women and minority staff and students where underrepresented.
- Increase the proportion of women and minorities in senior leadership.
- Identify and eliminate health disparities and become a national leader in the science and promotion of health equity.

Mayo Clinic ranked among 'America’s Best Employers for New Graduates' by Forbes
Mayo Clinic was ranked No. 74 on Forbes' list of "America's Best Employers for New Graduates" and No. 10 in the "Healthcare & Social Industry" category. Mayo ranked No. 98 on the list in 2020.

Forbes partnered with market research company Statista to identify the companies most liked by new people entering the workforce. They surveyed more than 20,000 young professionals in the U.S. with less than 10 years of experience working for companies employing at least 1,000 people.

The evaluation was based on criteria related to atmosphere and development, image, working conditions, salary and wage, workplace, and diversity.

Mayo Clinic also appears on these Forbes Lists:

- America's Best Large Employers 2021
- Best Employers for Diversity 2021
- America's Top Charities 2020
- America's Best Employers by State 2020
- Best Employers for Women 2020

21 Mayo hospitals recognized for highest level of electronic health record adoption
Mayo hospitals received Stage 7 recognition, which reflects Mayo Clinic's commitment to the optimal use and sharing of clinical patient data electronically while improving health care quality and safety. Healthcare Information and Management Systems Society Analytics, a global health care information technology market intelligence, research, and standards organization, has recognized 21 Mayo Clinic hospitals with Stage 7 status, the highest level in its Electronic Medical Record Adoption Model.

The recognition reflects Mayo Clinic's commitment to the optimal use and sharing of clinical patient data electronically while improving health care quality and safety. The 21 Mayo Clinic hospitals that received this designation are among only 187 Stage 7 facilities in the nation.

Mayo hospitals recognized with Stage 7 status:

- Arizona - Mayo Clinic Hospital in Arizona
- Florida - Mayo Clinic Hospital in Florida
- Minnesota - Mayo Clinic Hospital — Rochester (The Methodist and Saint Marys campuses were recognized individually.) Albert Lea, Austin, Cannon Falls, Fairmont, Lake City, Mankato, New Prague, Red Wing, St. James, and Waseca
- Wisconsin – Barron, Bloomer, Eau Claire, La Crosse, Menomonie, Osseo, Sparta

The Electronic Medical Record Adoption Model rates organizations from Stage 0 to Stage 7. The evaluation considers technology implementation and use, data collection and analytics, and providing patients their medical and financial information, optimizing how data is shared across sites.

2021: DISCUSSION OF SECOND QUARTER RESULTS

Mayo Clinic generated net operating income of $451 million on $3.99 billion of revenue, an 11.3% operating margin. Excess revenue over expenses (net income) for the quarter was $1.25 billion, a 31.3% margin.

For the six-month period, net operating income was $694 million on $7.69 billion of revenue, a 9.0% operating margin. Excess revenue over expenses (net income) was $2.03 billion, a 26.4% margin.

	Three Months Ended June 30,		Change	Six Months Ended June 30,		Change
(in Millions):	2020	2021	From 2020	2020	2021	From 2020
Revenue	$3,163	$3,992	26.2%	$6,324	$7,695	21.7%
Expenses	3,066	3,541	15.5%	6,257	7,001	11.9%
Net Operating Income	**$97**	**$451**	**364.9%**	**$67**	**$694**	**935.8%**
Noncurrent & other items	306	798	160.8%	(287)	1,337	565.9%
Income over expenses	**$403**	**$1,249**	**209.9%**	**($220)**	**$2,031**	**1,023.2%**
Postretirement Adj.	52	72	38.5%	103	144	39.8%
Increase in net assets	**$455**	**$1,321**	**190.3%**	**($117)**	**$2,175**	**1,959.0%**

REVENUE

Year to date, net medical service revenue of $6.49 billion was 84.4% of total revenue and represented a 24% increase from prior year. For the second quarter, net medical service revenue of $3.34 billion represented 83.7% of total revenue and represented a 37.9% increase from the prior year quarter. Mayo Clinic's operating revenue for the quarter was $3.99 billion, reflecting 26.2% growth over Q2 2020.

(in Millions):	Three Months Ended June 30, 2020	2021	Change From 2020	Six Months Ended June 30, 2020	2021	Change From 2020
Revenue						
Net medical service revenue	$2,425	$3,343	37.9%	$5,235	$6,492	24.0%
Grants and contracts	137	150	9.5%	269	291	8.2%
Contributions	77	109	41.6%	123	147	19.5%
Investments	67	54	-19.4%	129	120	-7.0%
Other	457	336	-26.5%	568	645	13.6%
Total revenue	**$3,163**	**$3,992**	**26.2%**	**$6,324**	**$7,695**	**21.7%**

VOLUME METRICS

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

	Six Months Ended June 30, 2019	2020	2021	Change From 2020	Change From 2019
Outpatient Visits	2,411,046	1,977,970	2,364,106	19.5%	-1.9%
Surgical Cases	66,060	56,234	68,318	21.5%	3.4%
Admissions	64,960	56,680	60,468	6.7%	-6.9%
Patient Days	330,034	296,824	328,822	10.8%	-0.4%

EXPENSES

Operating expenses were $7.0 billion for the first six months of 2021 which represented year-over-year growth of 11.9%. At $4.3 billion, salaries and benefits, increase of 11.7% over the prior year and comprised 61.8% of the total.

	Three Months Ended June 30, 2020	2021	Change From 2020	Six Months Ended June 30, 2020	2021	Change From 2020
Expenses (in Millions):						
Salaries and benefits	$1,953	$2,192	12.2%	$3,878	$4,330	11.7%
Supplies and services	867	1,081	24.7%	1,876	2,147	14.4%
Facilities	213	230	8.0%	436	453	3.9%
Finance and investment	33	38	15.2%	67	71	6.0%
Total expenses	**$3,066**	**$3,541**	**15.5%**	**$6,257**	**$7,001**	**11.9%**

CASH, INVESTMENTS AND BALANCE SHEET STRENGTH

Cash and investments totaled $16.64 billion at June 30, 2021, an increase of $2.20 billion since the end of 2020. Factors contributing to the change in cash and investments include:

- $689 million in free cash flow from operations
- $1.16 billion in investment gains
- $496 million in new debt issuance (40-year taxable bonds at 3.196%)
- $122 million in development yield for endowment and capital
- $387 million in capital spend ($237 million for new construction and $150 million in maintenance capital)

Of the $16.64 billion total, $3.29 billion is held in working capital and short-term funds for liquidity.

As of June 30, 2021, Mayo's cash and investment position included $12.26 billion in long-term investments that are held in its primary investment vehicle, the Long-Term Fund (LTF). The LTF is composed of $6.11 billion of endowed funds (both donor and board-restricted) and $6.15 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 June 30, 2021, the LTF's trailing one-year return was 39.7%. Over longer time periods as of the same date, the fund generated annualized investment returns of 15.0% over the trailing 3 years, 13.8% over the trailing five years, 10.4% over the trailing ten years, and 9.4% over the trailing 20 years.

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

	6/30/2020	12/31/2020	6/30/2021
Days Revenue Outstanding	72.0	50.8	49.8
Days Cash on Hand	315	348	386
Debt Service Coverage Ratio	6.1x	6.4x	9.6x
Cash to Debt	280%	311%	324%
Debt to Capitalization	37%	32%	31%

SUMMARY

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