



Mayo Clinic

Unaudited Condensed Consolidated Financial Reports
September 30, 2022



Mayo Clinic

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Unaudited Consolidated Financial Reports

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

	September 30, 2022 Unaudited	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 80	\$ 46
Accounts receivable for medical services	1,876	1,826
Other receivables	652	648
Other current assets	362	317
Total current assets	<u>2,970</u>	<u>2,837</u>
Investments	16,828	18,021
Other long-term assets	1,524	1,407
Property, plant, and equipment, net	5,663	5,410
Total assets	<u><u>\$ 26,985</u></u>	<u><u>\$ 27,675</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 666	\$ 768
Accrued payroll	988	818
Accrued employee benefits	173	168
Deferred revenue	71	62
Long-term variable-rate debt	760	620
Other current liabilities	463	509
Total current liabilities	<u>3,121</u>	<u>2,945</u>
Long-term debt, net of current portion	3,983	3,552
Accrued pension and postretirement benefits, net of current portion	1,264	1,378
Other long-term liabilities	2,043	2,133
Total liabilities	<u>10,411</u>	<u>10,008</u>
Net assets:		
Without donor restrictions	11,663	12,431
With donor restrictions	4,911	5,236
Total net assets	<u>16,574</u>	<u>17,667</u>
Total liabilities and net assets	<u><u>\$ 26,985</u></u>	<u><u>\$ 27,675</u></u>

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Activities Unaudited (in Millions)

	Three Months Ended September 30, 2022			Three Months Ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 3,502	\$ —	\$ 3,502	\$ 3,402	\$ —	\$ 3,402
Grants and contracts	165	—	165	156	—	156
Investment return allocated to current activities	57	4	61	62	7	69
Contributions available for current activities	1	87	88	23	99	122
Other	301	—	301	272	—	272
Net assets released from restrictions	118	(118)	—	58	(58)	—
Total revenue, gains and other support	4,144	(27)	4,117	3,973	48	4,021
Expenses:						
Salaries and benefits	2,327	—	2,327	2,249	—	2,249
Supplies and services	1,343	—	1,343	1,179	—	1,179
Depreciation and amortization	153	—	153	155	—	155
Facilities	95	—	95	77	—	77
Finance and investment	42	—	42	37	—	37
Total expenses	3,960	—	3,960	3,697	—	3,697
Income (loss) from current activities	184	(27)	157	276	48	324
Noncurrent and other items:						
Contributions not available for current activities, net	(4)	9	5	(2)	26	24
Unallocated investment return, net	(474)	(123)	(597)	338	132	470
Income tax expense	(11)	—	(11)	(5)	—	(5)
Benefit credit	45	—	45	15	—	15
Other	39	—	39	4	—	4
Total noncurrent and other items	(405)	(114)	(519)	350	158	508
Increase (decrease) in net assets before other changes in net assets	(221)	(141)	(362)	626	206	832
Pension and other postretirement benefit adjustments	50	—	50	72	—	72
Increase (decrease) in net assets	(171)	(141)	(312)	698	206	904
Net assets at beginning of period	11,834	5,052	16,886	9,572	4,968	14,540
Net assets at end of period	\$ 11,663	\$ 4,911	\$ 16,574	\$ 10,270	\$ 5,174	\$ 15,444

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Activities Unaudited (in Millions)

	Nine Months Ended September 30, 2022			Nine Months Ended September 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 10,287	\$ —	\$ 10,287	\$ 9,894	\$ —	\$ 9,894
Grants and contracts	488	—	488	447	—	447
Investment return allocated to current activities	188	16	204	170	19	189
Contributions available for current activities	35	183	218	51	218	269
Other	880	—	880	833	—	833
Net assets released from restrictions	228	(228)	—	200	(200)	—
Total revenue, gains and other support	12,106	(29)	12,077	11,595	37	11,632
Expenses:						
Salaries and benefits	6,878	—	6,878	6,495	—	6,495
Supplies and services	3,903	—	3,903	3,326	—	3,326
Depreciation and amortization	461	—	461	459	—	459
Facilities	255	—	255	226	—	226
Finance and investment	126	—	126	108	—	108
Total expenses	11,623	—	11,623	10,614	—	10,614
Income (loss) from current activities	483	(29)	454	981	37	1,018
Noncurrent and other items:						
Contributions not available for current activities, net	(18)	135	117	(15)	212	197
Unallocated investment return, net	(1,692)	(431)	(2,123)	1,138	576	1,714
Income tax expense	(30)	—	(30)	(32)	—	(32)
Benefit credit	133	—	133	46	—	46
Other	206	—	206	(80)	—	(80)
Total noncurrent and other items	(1,401)	(296)	(1,697)	1,057	788	1,845
Increase (decrease) in net assets before other changes in net assets	(918)	(325)	(1,243)	2,038	825	2,863
Pension and other postretirement benefit adjustments	150	—	150	216	—	216
Increase (decrease) in net assets	(768)	(325)	(1,093)	2,254	825	3,079
Net assets at beginning of period	12,431	5,236	17,667	8,016	4,349	12,365
Net assets at end of period	\$ 11,663	\$ 4,911	\$ 16,574	\$ 10,270	\$ 5,174	\$ 15,444

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Cash Flows
Unaudited (In Millions)

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities:		
Cash from medical services	\$ 9,553	\$ 9,042
Cash from external lab services	684	719
Cash from grants and contracts	495	459
Cash from benefactors	223	171
Cash from other activities	827	759
Cash for salaries and benefits	(6,522)	(6,129)
Cash for supplies, services, and facilities	(4,254)	(3,622)
Interest and dividends received	118	130
Interest paid	(78)	(63)
Income taxes paid	(54)	(65)
Net cash provided by operating activities	992	1,401
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(811)	(615)
Purchases of investments	(6,053)	(5,440)
Sales and maturities from investments	5,231	4,018
Investment in joint ventures	—	(43)
Net cash used in investing activities	(1,633)	(2,080)
Cash flows from financing activities:		
Restricted gifts, bequests, and other	104	164
Borrowing on long-term debt	807	500
Payment of long-term debt	(231)	(4)
Payment on leases	(5)	(5)
Net cash provided by financing activities	675	655
Net increase (decrease) in cash and cash equivalents	34	(24)
Cash and cash equivalents at beginning of period	46	72
Cash and cash equivalents at end of period	\$ 80	\$ 48

See notes to condensed consolidated financial statements.



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (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 nine months ended September 30, 2022 are not necessarily indicative of the results to be expected for the year ending December 31, 2022. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2021.

Certain reclassifications have been made to the 2021 condensed consolidated financial statements to conform with classifications used in 2022. 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, 2022, the Clinic adopted FASB Accounting Standards Update (ASU) No. 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958)*. This ASU required 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 adoption of this ASU did not materially impact the condensed consolidated financial statements.



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (in Millions)

Note 3. Liquidity and Availability

Financial assets available for general expenditure within one year of the balance sheet date, are composed of the following:

	September 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 80	\$ 46
Accounts receivable	1,876	1,826
Promises to give	281	294
Grants receivable	128	134
Other receivables	243	220
Investments	10,438	11,234
Total financial assets available within one year	<u>\$ 13,046</u>	<u>\$ 13,754</u>

Note 4. Medical Service Revenue

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

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

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

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



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (in Millions)

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 September 30, 2022 and 2021, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was not significant. For the nine months ended September 30, 2022 and 2021, 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 patients ability to pay are recorded as bad debt expense. Bad debt expense for the three and nine months ended September 30, 2022 and 2021 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



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 4. Medical Service Revenue (Continued)

such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the three and nine months ended September 30, 2022 and 2021.

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

The composition of medical service revenue based on the regions of the country in which the Clinic operates in, its lines of business, and timing of revenue recognition for the three months ended September 30, 2022 and 2021 are as follows:

Three months Ended September 30, 2022				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,316	\$ 286	\$ 338	\$ 1,940
Clinic	868	208	238	1,314
Senior Care and Nursing Home	4	—	—	4
Other	15	1	—	16
Total patient care service revenue	2,203	495	576	3,274
External lab	228	—	—	228
Total medical service revenue	<u>\$ 2,431</u>	<u>\$ 495</u>	<u>\$ 576</u>	<u>\$ 3,502</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 1,111	\$ 209	\$ 238	\$ 1,558
Services transferred over time	1,320	286	338	1,944
Total	<u>\$ 2,431</u>	<u>\$ 495</u>	<u>\$ 576</u>	<u>\$ 3,502</u>

Three months Ended September 30, 2021				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,332	\$ 252	\$ 295	\$ 1,879
Clinic	848	206	225	1,279
Senior Care and Nursing Home	5	—	—	5
Other	15	1	—	16
Total patient care service revenue	2,200	459	520	3,179
External lab	223	—	—	223
Total medical service revenue	<u>\$ 2,423</u>	<u>\$ 459</u>	<u>\$ 520</u>	<u>\$ 3,402</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 1,086	\$ 207	\$ 225	\$ 1,518
Services transferred over time	1,337	252	295	1,884
Total	<u>\$ 2,423</u>	<u>\$ 459</u>	<u>\$ 520</u>	<u>\$ 3,402</u>



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 4. Medical Service Revenue (Continued)

The composition of medical service revenue based on the regions of the country in which the Clinic operates in, its lines of business, and timing of revenue recognition for the nine months ended September 30, 2022 and 2021 are as follows:

Nine months Ended September 30, 2022				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 3,882	\$ 811	\$ 957	\$ 5,650
Clinic	2,556	627	712	3,895
Senior Care and Nursing Home	12	—	—	12
Other	45	1	—	46
Total patient care service revenue	6,495	1,439	1,669	9,603
External lab	684	—	—	684
Total medical service revenue	<u>\$ 7,179</u>	<u>\$ 1,439</u>	<u>\$ 1,669</u>	<u>\$ 10,287</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 3,285	\$ 628	\$ 712	\$ 4,625
Services transferred over time	3,894	811	957	5,662
Total	<u>\$ 7,179</u>	<u>\$ 1,439</u>	<u>\$ 1,669</u>	<u>\$ 10,287</u>

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

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 \$263 and \$248, respectively, for the three months



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 4. Medical Service Revenue (Continued)

ended September 30, 2022 and 2021 and \$770 and \$720, respectively, for the nine months ended September 30, 2022 and 2021. Examples of revenue at time services are rendered include clinical services, lab and transport, and services transferred over time include hospital and senior care revenue.

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

	2022	2021
Medicare	\$ 935	\$ 856
Medicaid	140	129
Contract	1,997	1,960
Other, including self-pay	430	457
Total	<u>\$ 3,502</u>	<u>\$ 3,402</u>

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

	2022	2021
Medicare	\$ 2,712	\$ 2,501
Medicaid	420	349
Contract	5,891	5,727
Other, including self-pay	1,264	1,317
Total	<u>\$ 10,287</u>	<u>\$ 9,894</u>

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

Financing component:

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



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (in Millions)

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 and nine months ended September 30, 2022 and 2021, the realized and unrealized gain/loss from derivative contracts was not significant.

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



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (in Millions)

Note 6. Fair Value Measurements

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Clinic's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers within Levels for the nine months ended September 30, 2022 and 2021.



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 6. Fair Value Measurements (Continued)

The following tables present the financial instruments carried at fair value as of September 30, 2022 and December 31, 2021, by caption on the condensed consolidated statements of financial position categorized by the valuation hierarchy and NAV:

	September 30, 2022				Total
	Level 1	Level 2	Level 3	NAV	Fair Value
Assets:					
Securities lending collateral	\$ 5	\$ —	\$ —	\$ —	\$ 5
Investments:					
Cash and cash equivalents	1,784	283	—	—	2,067
Fixed income securities:					
U.S. government	—	1,423	—	—	1,423
U.S. government agencies	—	705	—	—	705
U.S. corporate	—	906	—	—	906
Foreign	—	64	—	—	64
Common and preferred stocks:					
U.S.	844	—	—	—	844
Foreign	540	—	20	—	560
Funds:					
Fixed income	321	—	—	—	321
Equities	959	542	—	—	1,501
Other investments	—	—	—	—	—
Less securities under lending agreement	(93)	—	—	—	(93)
Investments at NAV	—	—	—	8,437	8,437
Total investments	4,355	3,923	20	8,437	16,735
Investments under securities lending agreement	93	—	—	—	93
Other long-term assets:					
Trust receivables	62	24	88	—	174
Technology-based ventures	—	—	172	—	172
Total other long-term assets	62	24	260	—	346
Total assets at fair value	\$ 4,515	\$ 3,947	\$ 280	\$ 8,437	\$ 17,179
Liabilities:					
Securities lending payable	\$ 5	\$ —	\$ —	\$ —	\$ 5
Total liabilities at fair value	\$ 5	\$ —	\$ —	\$ —	\$ 5



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 6. Fair Value Measurements (Continued)

	December 31, 2021				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	\$ 6	\$ —	\$ —	\$ —	\$ 6
Investments:					
Cash and cash equivalents	2,593	238	—	—	2,831
Fixed income securities:					
U.S. government	—	566	—	—	566
U.S. government agencies	—	551	—	—	551
U.S. corporate	—	832	—	—	832
Foreign	—	74	—	—	74
Common and preferred stocks:					
U.S.	1,077	—	—	—	1,077
Foreign	658	—	24	—	682
Funds:					
Fixed income	448	—	—	—	448
Equities	1,021	702	—	—	1,723
Other investments	—	—	—	—	—
Less securities under lending agreement	(95)	—	—	—	(95)
Investments at NAV	—	—	—	9,237	9,237
Total investments	5,702	2,963	24	9,237	17,926
Investments under securities lending agreement	95	—	—	—	95
Other long-term assets:					
Trust receivables	82	32	93	—	207
Technology-based ventures	—	—	138	—	138
Total other long-term assets	82	32	231	—	345
Total assets at fair value	\$ 5,885	\$ 2,995	\$ 255	\$ 9,237	\$ 18,372
Liabilities:					
Securities lending payable	\$ 6	\$ —	\$ —	\$ —	\$ 6
Total liabilities at fair value	\$ 6	\$ —	\$ —	\$ —	\$ 6



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (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, composed 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 that 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 \$649 less and \$502 more than its carrying value at September 30, 2022 and December 31, 2021, respectively. Other long-term assets and liabilities have a carrying value that approximates fair value.

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

At September 30, 2022, 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)	\$ 3,543	\$ 332	Monthly to annually	30–90 days
Private partnerships (b)	4,894	1,845		
Total alternative investments	<u>\$ 8,437</u>	<u>\$ 2,177</u>		



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 6. Fair Value Measurements (Continued)

At December 31, 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)	\$ 4,167	\$ 151	Monthly to annually	30–90 days
Private partnerships (b)	5,070	1,635		
Total alternative investments	<u>\$ 9,237</u>	<u>\$ 1,786</u>		

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

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

Note 7. Securities Lending

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

At September 30, 2022 and December 31, 2021, the aggregate market value of securities on loan under securities lending agreements totaled \$93 and \$95, respectively, and the total value of the collateral supporting the securities is \$98 which represents 106 percent and 103 percent of the value of the securities on loan at September 30, 2022 and December 31, 2021. The cash portion of the collateral supporting the securities as of September 30, 2022 and December 31, 2021, is \$5 and \$6 respectively. Noncash collateral provided to the Clinic is not recorded in the condensed consolidated statements of financial position, as the collateral may not be sold or repledged. The Clinic’s claim on such collateral is limited to the market value of loaned securities. In the event of nonperformance by the other parties to the securities lending agreements, the Clinic could be exposed to a loss.



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 8. Financing

On April 12, 2022, the Clinic issued fixed rate bonds in the amount of \$605 (\$204 current debt refund and \$401 new debt issuance) at various coupon rates yielding 3.76 percent to maturity. The bonds are due in 2057 and the new debt will be used for construction projects.

On May 5, 2022, the Clinic entered into a private placement debt agreement with an insurance company for \$200 at 3.26 percent maturing in November, 2058. The funds will be used for general corporate purposes.

Note 9. Board-Designated Funds

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

	September 30, 2022	December 31, 2021
Research	\$ 1,332	\$ 1,545
Education	305	358
Buildings and equipment	3	4
Charity care	12	14
Clinical	159	190
Other	1,107	1,281
Total designation for specified purpose	<u>\$ 2,918</u>	<u>\$ 3,392</u>

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

	September 30, 2022	December 31, 2021
Quasi endowments	\$ 2,747	\$ 3,218
Professional liability reserve	130	141
Other reserves	41	33
Total	<u>\$ 2,918</u>	<u>\$ 3,392</u>



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (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:

	September 30, 2022	December 31, 2021
Subject to expenditure for specified purposes:		
Research	\$ 581	\$ 497
Education	58	46
Buildings and equipment	214	174
Charity care	31	30
Clinical	78	65
Other	28	53
Total expenditure for specified purposes	990	865
Subject to passage of time:		
Pledges and trusts	665	649
Endowments:		
Perpetual in nature:		
Research	1,215	1,140
Education	274	270
Charity care	14	14
Clinical	218	215
Other	34	33
Pledges and trusts	250	274
Total perpetual in nature	2,005	1,946
Subject to endowment spending policy:		
Research	696	1,028
Education	327	433
Charity care	46	59
Clinical	143	206
Other	39	50
Total subject to endowment spending policy	1,251	1,776
Total endowments	3,256	3,722
Total net assets with donor restrictions	\$ 4,911	\$ 5,236



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (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 September 30:

	2022	2021
Research	\$ 40	\$ 50
Education	8	6
Buildings and equipment	10	—
Other	60	2
Total net assets released from donor restrictions	<u>\$ 118</u>	<u>\$ 58</u>

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

	2022	2021
Research	\$ 113	\$ 116
Education	20	17
Buildings and equipment	11	52
Other	84	15
Total net assets released from donor restrictions	<u>\$ 228</u>	<u>\$ 200</u>



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2022 (in Millions)

Note 11. Functional Expenses

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

The expenses reported in the condensed consolidated statements of activities for the three months ended September 30, 2022 and 2021, supported the following programs and functions:

2022									
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses	
Salaries and benefits	\$ 1,942	\$ 49	\$ 175	\$ 92	\$ 52	\$ 6	\$ 11	\$	2,327
Supplies and services	946	273	67	19	15	3	20		1,343
Depreciation and amortization	124	2	17	3	5	1	1		153
Facilities	74	2	5	3	11	—	—		95
Finance & investment	38	1	5	—	—	—	(2)		42
Total	\$ 3,124	\$ 327	\$ 269	\$ 117	\$ 83	\$ 10	\$ 30	\$	3,960

2021									
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses	
Salaries and benefits	\$ 1,912	\$ 46	\$ 168	\$ 86	\$ 22	\$ 6	\$ 9	\$	2,249
Supplies and services	818	255	65	15	4	2	20		1,179
Depreciation and amortization	128	2	17	2	4	1	1		155
Facilities	64	1	4	3	5	—	—		77
Finance & investment	39	—	4	—	—	—	(6)		37
Total	\$ 2,961	\$ 304	\$ 258	\$ 106	\$ 35	\$ 9	\$ 24	\$	3,697



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 11. Functional Expenses (Continued)

The expenses reported in the condensed consolidated statements of activities for the nine months ended September 30, 2022 and 2021, supported the following programs and functions.

	2022							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 5,766	\$ 147	\$ 520	\$ 258	\$ 141	\$ 13	\$ 33	\$ 6,878
Supplies and services	2,747	804	202	52	31	7	60	3,903
Depreciation and amortization	378	6	51	8	15	1	2	461
Facilities	198	4	14	9	29	—	1	255
Finance & investment	115	2	14	1	1	—	(7)	126
Total	\$ 9,204	\$ 963	\$ 801	\$ 328	\$ 217	\$ 21	\$ 89	\$ 11,623

	2021							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 5,513	\$ 138	\$ 493	\$ 245	\$ 65	\$ 13	\$ 28	\$ 6,495
Supplies and services	2,294	761	180	42	6	5	38	3,326
Depreciation and amortization	382	6	49	8	11	1	2	459
Facilities	186	3	12	8	16	—	1	226
Finance & investment	113	1	13	1	1	—	(21)	108
Total	\$ 8,488	\$ 909	\$ 747	\$ 304	\$ 99	\$ 19	\$ 48	\$ 10,614



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (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 September 30 are as follows for the defined-benefit pension plans:

	Qualified	
	2022	2021
Service cost	\$ 172	\$ 173
Interest cost	92	88
Expected return on plan assets	(195)	(183)
Amortization of unrecognized:		
Prior service benefit	(13)	(13)
Net actuarial loss	57	77
Net periodic benefit cost	<u>\$ 113</u>	<u>\$ 142</u>

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

	Postretirement Benefits	
	2022	2021
Service cost	\$ 2	\$ 3
Interest cost	8	8
Amortization of unrecognized:		
Prior service benefit	1	—
Net actuarial loss	6	8
Net periodic cost	<u>\$ 17</u>	<u>\$ 19</u>

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

	Qualified	
	2022	2021
Service cost	\$ 517	\$ 518
Interest cost	277	263
Expected return on plan assets	(585)	(549)
Amortization of unrecognized:		
Prior service benefit	(38)	(38)
Net actuarial loss	170	230
Net periodic benefit cost	<u>\$ 341</u>	<u>\$ 424</u>



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2022 (in Millions)

Note 12. Employee Benefit Programs (Continued)

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

	Postretirement Benefits	
	2022	2021
Service cost	\$ 6	\$ 7
Interest cost	25	24
Amortization of unrecognized:		
Prior service benefit	3	—
Net actuarial loss	15	24
Net periodic cost	<u>\$ 49</u>	<u>\$ 55</u>

Note 13. Commitments and Contingencies

The Clinic has various construction projects in progress related to patient care, research, and educational facilities. The estimated costs committed to complete the various projects at September 30, 2022, approximated \$1,949, 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 declared the novel coronavirus disease (COVID-19) a pandemic. The Center for Disease Control 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. Subsequent Events

The Clinic evaluated events and transactions occurring subsequent to September 30, 2022, through November 10, 2022, the date of issuance of the condensed consolidated financial statements. During this period, there were no subsequent events requiring recognition in the condensed consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2022

November 2022



MAYO CLINIC: WHEN YOU NEED ANSWERS, YOU KNOW WHERE TO GO

A GLOBAL DESTINATION FOR HOPE AND HEALING

Every year, more than 1.3 million people from every U.S. state and more than 130 countries come to Mayo Clinic for care. Every day, Mayo Clinic staff prove their dedication and commitment to patient-centered values that have made Mayo a global destination for health and healing for more than 150 years.

PATIENT-CENTERED VALUES GUIDE WORLD-CLASS CARE

Mayo Clinic's mission is to inspire hope and contribute to health and well-being by providing the best care to every patient through integrated clinical practice, education and research. Our primary value is, "The needs of the patient come first." Successful treatment of serious or complex medical issues starts with an accurate diagnosis, and Mayo Clinic specialists collaborate to evaluate the patient's condition from every angle to correctly diagnose the most complex issues and develop a treatment plan. At Mayo Clinic, every aspect of patient care is coordinated by teams of specialists who work together to provide the most compassionate and effective care possible.

UNPARALLELED EXPERTISE

Mayo Clinic is one of the world's premier health care institutions, and Mayo staff are among the best in the world. In the U.S. News & World Report rankings of "Best Hospitals" for 2022-23, Mayo Clinic in Rochester, Minnesota, was ranked No. 1 in the nation for the seventh consecutive year, just one measure of Mayo's consistently high ratings for quality.

ABOUT MAYO CLINIC

With \$15 billion in annual revenues and more than 73,000 employees, Mayo Clinic provides comprehensive medical care, education in clinical medicine and the medical sciences, and extensive programs in medical research. Mayo Clinic has destination campuses in Rochester; Phoenix and Scottsdale, Arizona; and Jacksonville, Florida. Mayo Clinic Health System has dozens of locations in Minnesota, Wisconsin, and Iowa.

Mayo Clinic dates its history from 1864 when Dr. William Worrall Mayo set up a medical practice in Rochester. The pioneer town had been founded only a decade earlier, and Minnesota had only been a state since 1858. Dr. Mayo's practice grew quickly through the closing months of the Civil War and during Minnesota's rapid growth in the years immediately after.

When a tornado devastated the city of just over 5,000 residents in 1883, killing at least 37 people and injuring 300, Dr. Mayo and his sons, William and Charles, joined the Sisters of Saint Francis in caring for the injured. Their response paved the way for a new way to

practice medicine that is foundational to Mayo Clinic's practice today: teams of specialists working collaboratively to put the needs of patients first. The Franciscan Sisters and Dr. Mayo worked together to build and staff Saint Marys Hospital in 1889, and after completing their medical training, Dr. Will Mayo and Dr. Charlie Mayo advanced the original vision by partnering with many others to develop the integrated group practice, education and research model that is core to Mayo Clinic's mission.

2022: CONTINUING EXCELLENCE

Recognition and Awards

Mayo Clinic again ranked No. 1 hospital in the nation by U.S. News & World Report

Mayo Clinic in Rochester has been named the No. 1 hospital in the nation for the seventh consecutive year in the U.S. News & World Report's "Best Hospitals" rankings, announced in July.

Among specialties, Mayo Clinic in Rochester is ranked No. 1 in four clinical areas: Diabetes and Endocrinology, Gastroenterology and Gastroenterologic Surgery, Pulmonology and Lung Surgery, and Urology. This is more than any other health care center. Mayo Clinic ranked No. 2 in three additional specialties – Cardiology and Heart Surgery, Obstetrics and Gynecology, and Orthopedics – and was No. 3 in Cancer.

U.S. News & World Report began publishing state rankings in 2012, and Mayo Clinic in Rochester has ranked No. 1 in Minnesota since the beginning. This year also marks the 10th year that Mayo Clinic in Arizona has ranked No. 1 in that state, and Mayo Clinic in Florida has ranked No. 1 in the state of Florida for six of the past seven years.

In addition, Mayo Clinic in Arizona is again included in the "Best Hospitals" Honor Roll list, making it the sixth consecutive year Arizona has been named a top-20 hospital. The "Best Hospitals" Honor Roll features 20 hospitals with the highest combined overall scores in 15 medical and surgical specialties, and 20 common procedures and conditions.

Mayo Clinic Health System in Eau Claire, Wisconsin, has been recognized by U.S. News as a "Best Regional Hospital" in Northwestern Wisconsin, and Mayo Clinic Health System in Mankato, Minnesota, was named a "Best Regional Hospital" in Southwest Minnesota.

For more than 20 years, Mayo Clinic has received more No. 1 rankings from U.S. News & World Report and other health care rating organizations than any other health care institution.

Mayo Clinic recognized as 'World's Best Smart Hospital' in Newsweek rankings

The "World's Best Smart Hospitals" ranks 300 health care organizations in 28 countries that lead in their use of artificial intelligence, digital imaging, telemedicine, robotics, and electronic capabilities.

"Smart hospitals use state-of-the-art technology to fundamentally rethink how care is delivered within the health system", according to Newsweek. "Taking advantage of these

new technologies not only improves care delivery outcomes and efficiencies within the hospital but sets up hospitals as a member of a wider ecosystem to help drive health goals around prevention, population health and quality of life outcomes”.

To rank the best smart hospitals, Newsweek partnered with Statista, an independent research firm. The rankings are based on an online survey asking hospital managers and other health care professionals to rank leading smart hospitals and a hospital survey to determine the use of digital technologies within organizations, along with research to validate each health care organization's achievements.

Mayo Clinic was recognized for its use of artificial intelligence and robotics.

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

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

Mayo Clinic scored 100% on the Disability Equality Index, a comprehensive benchmarking tool that helps companies build a roadmap of measurable actions to achieve disability inclusion and equality.

Mayo Clinic recognized as a leading employer for disability hiring and employment practices

For the fifth consecutive year, Mayo Clinic has received the Leading Disability Employer Seal from the National Organization on Disability. The achievement recognizes companies that demonstrate positive outcomes in recruiting, hiring, retaining, and promoting people with disabilities.

The achievement underscores Mayo Clinic's commitment to diversity as more staff and students self-identify as having a permanent or temporary disability.

Noteworthy

Mayo Clinic announces strategic collaboration for a new era of biomanufacturing

Mayo Clinic has announced a strategic collaboration with National Resilience Inc. to deliver new biotherapeutics for rare and complex conditions. The collaboration brings together science, engineering, and manufacturing to advance Mayo Clinic's vision of bringing new cures to clinical care.

The focus will be on therapies derived from human sources known as biologics — cells, blood, enzymes, tissue, genes, or genetically engineered cells — for use in medicines. Therapeutics based on biologics have the potential to target exact tissue needing repair. National Resilience Inc. will collaborate with Mayo's Center for Regenerative Medicine in Two Discovery Square within the research corridor of the Destination Medical Center economic development initiative in Rochester.

The collaboration will focus on:

- Process development expertise to advance Mayo Clinic biotherapeutics.

Q3 2022 Financial Performance Overview

- Working together to attract biotech companies interested in sponsoring clinical trials at Mayo Clinic for new regenerative biotherapeutics.
- Providing cell and gene products needed for biomanufacturing early-stage therapeutics.
- Analytical testing and quality control required for manufacturing commercial grade biopharmaceuticals.

DISCUSSION OF 2022 RESULTS

For the three months ended September 30, 2022, Mayo Clinic generated net operating income of \$157 million on \$4.12 billion in revenue, a 3.8% operating margin. For the same period, decrease in net assets before other changes, including noncurrent and other items, was \$(362) million, a (8.8)% margin. For the nine months ended September 30, 2022, Mayo Clinic generated net operating income of \$454 million on \$12.08 billion in revenue, a 3.8% operating margin. For the same period, decrease in net assets before other changes, including noncurrent and other items, was \$(1.24) billion, a (10.3)% margin.

	Three Months Ended Sept. 30,		Change from 2021	Nine Months Ended Sept. 30,		Change from 2021
(\$ In Millions):	2021	2022		2021	2022	
Revenue	\$4,021	\$4,117	2.4%	\$11,632	\$12,077	3.8%
Expenses	3,697	3,960	7.1%	10,614	11,623	9.5%
Net operating income	\$324	\$157	-51.5%	\$1,018	\$454	-55.4%
Noncurrent & other items	508	(519)	-202.2%	1,845	(1,697)	-192.0%
Increase (decrease) in net assets before other changes	\$832	(\$362)	-143.5%	\$2,863	(\$1,243)	-143.4%
Postretirement adj.	72	50	-30.6%	216	150	-30.6%
Increase (decrease) in net assets	\$904	(\$312)	-134.5%	\$3,079	(\$1,093)	-135.5%

REVENUE

Net medical service revenue for the quarter end September 30, 2022 was \$3.50 billion or 85.1% of total revenue and represented a 2.9% increase from prior year. Mayo Clinic's total operating revenue for the period was \$4.11 billion, reflecting a 2.4% increase over the same 2021 period. Net medical service revenue for the nine months ended September 30, 2022 was \$10.29 billion, 85.2% of total revenue and represents a 4.0% increase from prior year.

Q3 2022 Financial Performance Overview

Mayo Clinic's total operating revenue for the period was \$12.08 billion, reflecting a 3.8% increase over the same period in 2021.

	Three Months Ended Sept. 30,		Change from 2021	Nine Months Ended Sept. 30,		Change from 2021
(\$ in Millions):	2021	2022		2021	2022	
Revenue						
Net medical service revenue	\$3,402	\$3,502	2.9%	\$9,894	\$10,287	4.0%
Grants and contracts	156	165	5.8%	447	488	9.2%
Contributions	122	88	-27.9%	269	218	-19.0%
Investments	69	61	-11.6%	189	204	7.9%
Other	272	301	10.7%	833	880	5.6%
Total operating revenue	\$4,021	\$4,117	2.4%	\$11,632	\$12,077	3.8%

VOLUME METRICS

Clinical volumes are shown in the table below. Outpatient visits, surgeries, and patient days were higher than both 2021 and 2020 on a year to date basis, reflecting sustained strong demand for services. While hospital admissions were lower than 2021, Mayo Clinic hospitals are operating near capacity reflected in the increase in patient days. The difference between years is attributable to capacity constraints and the changing mix of hospital patients with longer lengths of stay during 2022.

	Three Months Ended Sept. 30,		Change from 2021	Nine Months Ended Sept. 30,		Change from 2021
	2021	2022		2021	2022	
Outpatient Visits	1,243,969	1,222,289	-1.7%	3,608,075	3,650,322	1.2%
Surgical Cases	33,699	35,277	4.7%	102,017	104,468	2.4%
Admissions	31,581	29,462	-6.7%	92,054	88,620	-3.7%
Patient Days	179,884	177,214	-1.5%	508,694	530,929	4.4%

EXPENSES

Operating expenses were \$3.96 billion for the quarter ended September 30, 2022, which represents an increase of 7.1% over the same period in 2021. At \$2.33 billion, salaries and benefits increased 3.5% over the prior year period and comprised 58.8% of total expenses. Operating expenses were \$11.62 billion for the nine-month period ending September 30, 2022, representing year-over-year growth of 9.5% reflecting general inflationary trends and the need to supplement workforce with contractors. At \$6.88 billion, salaries and benefits increased 5.9% over the prior period and comprised 59.2% of total expenses. The supplies

Q3 2022 Financial Performance Overview

and services includes contract labor expenditures, which increased 47% and 75% compared to the prior year quarter and year to date periods.

	Three Months Ended Sept. 30,		Change from 2021	Nine Months Ended Sept. 30,		Change from 2021
(\$ in Millions):	2021	2022		2021	2022	
Expenses						
Salaries and benefits	\$2,249	\$2,327	3.5%	\$6,495	\$6,878	5.9%
Supplies and services	1,179	1,343	13.9%	3,326	3,903	17.3%
Facilities	232	248	6.9%	685	716	4.5%
Finance and investment	37	42	13.5%	108	126	16.7%
Total expenses	\$3,697	\$3,960	7.1%	\$10,614	\$11,623	9.5%

CASH, INVESTMENTS, AND BALANCE SHEET STRENGTH

Cash and investments totaled \$16.91 billion on September 30, 2022, a decrease of \$1.16 billion since the end of 2021, driven largely by investment losses. Of the \$16.91 billion total, \$3.73 billion is held in working capital and short-term funds for liquidity.

As of September 30, 2022, Mayo's cash and investment position included \$12.27 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 \$6.51 billion of unrestricted reserves. Investment earnings on Mayo's endowed funds are a key source of support for its research and education programs.

For the first nine months of 2022, the LTF generated a -11.7% return. On a three-year, five-year, and 10-year basis, the LTF's investments returns continue to meet investment objectives and exceed benchmark performance, with 10.4%, 9.3% and 9.3% returns, respectively, over those time periods.

Core balance sheet metrics are still strong and within "AA" rating parameters as shown in the table below.

	9/30/2021	12/31/2021	9/30/2022
Days Revenue Outstanding	50.5	48.9	48.4
Days Cash on Hand	407	403	348
Debt Service Coverage Ratio	10.9x	11.1x	6.8x
Cash to Debt	346%	368%	300%
Debt to Capitalization	30%	25%	29%

SUMMARY

Performance results for both the quarter and year to date reflect the challenges facing both the healthcare industry and the nation. Workforce shortages and resulting capacity constraints as well as inflation in both labor and nonlabor costs have impacted operating results. In spite of these challenges, Mayo Clinic continues to operate with a strong operating margin and is well positioned for continued progress on its plans to Cure, Connect, and Transform healthcare.