MAYO
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Mayo Clinic

Unaudited Condensed Consolidated Financial Reports
September 30, 2020

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Mayo Clinic

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Unaudited Consolidated Financial Reports

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Condensed Consolidated Statements of Financial Position
(In Millions)

	September 30, 2020 Unaudited	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 51	$ 48
Accounts receivable for medical services	1,905	2,020
Securities lending collateral	4	1
Other receivables	440	458
Other current assets	231	201
Total current assets	2,631	2,728
Investments	13,071	11,135
Investments under securities lending agreement	18	19
Other long-term assets	1,131	1,023
Property, plant and equipment, net	4,992	4,834
Total assets	$ 21,843	$ 19,739
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 514	$ 512
Accrued payroll	1,112	667
Accrued employee benefits	155	158
Deferred revenue	254	43
Long-term variable-rate debt	760	710
Securities lending payable	4	1
Other current liabilities	477	473
Total current liabilities	3,276	2,564
Long-term debt, net of current portion	3,093	2,647
Accrued pension and postretirement benefits, net of current portion	2,333	2,500
Other long-term liabilities	1,826	1,634
Total liabilities	10,528	9,345
Net assets:		
Without donor restrictions	7,297	6,679
With donor restrictions	4,018	3,715
Total net assets	11,315	10,394
Total liabilities and net assets	$ 21,843	$ 19,739

See notes to condensed consolidated financial statements.

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Condensed Consolidated Statements of Activities
Unaudited (in Millions)

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	**$ 3,107**	**$ —**	**$ 3,107**	$ 2,927	$ —	$ 2,927
Grants and contracts	**142**	**—**	**142**	130	—	130
Investment return allocated to current activities	**58**	**3**	**61**	54	6	60
Contributions available for current activities	**10**	**44**	**54**	5	42	47
Other	**287**	**—**	**287**	235	—	235
Net assets released from restrictions	**56**	**(56)**	**—**	47	(47)	—
Total revenue, gains and other support	**3,660**	**(9)**	**3,651**	3,398	1	3,399
Expenses:						
Salaries and benefits	**2,073**	**—**	**2,073**	1,889	—	1,889
Supplies and services	**1,048**	**—**	**1,048**	1,017	—	1,017
Depreciation and amortization	**154**	**—**	**154**	145	—	145
Facilities	**59**	**—**	**59**	71	—	71
Finance and investment	**29**	**—**	**29**	33	—	33
Total expenses	**3,363**	**—**	**3,363**	3,155	—	3,155
Income (loss) from current activities	**297**	**(9)**	**288**	243	1	244
Noncurrent and other items:						
Contributions not available for current activities, net	**(6)**	**52**	**46**	(6)	30	24
Unallocated investment return (loss), net	**460**	**187**	**647**	48	31	79
Income tax expense	**(10)**	**—**	**(10)**	(6)	—	(6)
Benefit credit	**16**	**—**	**16**	34	—	34
Other	**—**	**—**	**—**	—	—	—
Total noncurrent and other items	**460**	**239**	**699**	70	61	131
Increase in net assets before other changes in net assets	**757**	**230**	**987**	313	62	375
Pension and other postretirement benefit adjustments	**51**	**—**	**51**	21	—	21
Increase in net assets	**808**	**230**	**1,038**	**334**	**62**	**396**
Net assets at beginning of period	**6,489**	**3,788**	**10,277**	6,847	3,479	10,326
Net assets at end of period	**$ 7,297**	**$ 4,018**	**$ 11,315**	$ 7,181	$ 3,541	$ 10,722

See notes to condensed consolidated financial statements.

MAYO CLINIC

Condensed Consolidated Statements of Activities
Unaudited (in Millions)

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	**$ 8,342**	**$ —**	**$ 8,342**	$ 8,609	$ —	$ 8,609
Grants and contracts	**411**	**—**	**411**	429	—	429
Investment return allocated to current activities	**169**	**21**	**190**	168	19	187
Contributions available for current activities	**43**	**134**	**177**	47	117	164
Other	**855**	**—**	**855**	734	—	734
Net assets released from restrictions	**153**	**(153)**	**—**	136	(136)	—
Total revenue, gains and other support	**9,973**	**2**	**9,975**	10,123	—	10,123
Expenses:						
Salaries and benefits	**5,951**	**—**	**5,951**	5,706	—	5,706
Supplies and services	**2,924**	**—**	**2,924**	2,949	—	2,949
Depreciation and amortization	**456**	**—**	**456**	431	—	431
Facilities	**193**	**—**	**193**	205	—	205
Finance and investment	**96**	**—**	**96**	101	—	101
Total expenses	**9,620**	**—**	**9,620**	9,392	—	9,392
Income from current activities	**353**	**2**	**355**	731	—	731
Noncurrent and other items:						
Contributions not available for current activities, net	**(18)**	**192**	**174**	(17)	148	131
Unallocated investment return, net	**102**	**109**	**211**	393	178	571
Income tax expense	**(24)**	**—**	**(24)**	(26)	—	(26)
Benefit credit	**47**	**—**	**47**	101	—	101
Other	**4**	**—**	**4**	(1)	—	(1)
Total noncurrent and other items	**111**	**301**	**412**	450	326	776
Increase in net assets before other changes in net assets	**464**	**303**	**767**	1,181	326	1,507
Pension and other postretirement benefit adjustments	**154**	**—**	**154**	63	—	63
Increase in net assets	**618**	**303**	**921**	**1,244**	**326**	**1,570**
Net assets at beginning of period	**6,679**	**3,715**	**10,394**	5,937	3,215	9,152
Net assets at end of period	**$ 7,297**	**$ 4,018**	**$ 11,315**	$ 7,181	$ 3,541	$ 10,722

See notes to condensed consolidated financial statements.

MAYO CLINIC

Condensed Consolidated Statements of Cash Flows
Unaudited (In Millions)

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Cash flows from operating activities:		
Cash from medical services	$ 7,871	$ 7,903
Cash from external lab services	586	544
Cash from grants and contracts	429	398
Cash from benefactors	159	132
Cash from other activities	960	614
Cash for salaries and benefits	(5,421)	(5,615)
Cash for supplies, services, and facilities	(3,161)	(3,138)
Interest and dividends received	56	124
Interest paid	(60)	(64)
Income taxes paid	(24)	(26)
Net cash provided by operating activities	1,395	872
Cash flows from investing activities:		
Purchase of property, plant and equipment	(495)	(531)
Purchases of investments	(4,840)	(2,564)
Sales and maturities from investments	3,310	2,162
Net cash used in investing activities	(2,025)	(933)
Cash flows from financing activities:		
Restricted gifts, bequests and other	148	131
Borrowing on long-term debt	630	—
Payment of long-term debt	(145)	(63)
Medicare advance payments	915	—
Return of medicare advance payments	(915)	—
Net cash provided by financing activities	633	68
Net increase in cash and cash equivalents	3	7
Cash and cash equivalents at beginning of period	48	29
Cash and cash equivalents at end of period	$ 51	$ 36

See notes to condensed consolidated financial statements.

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, 2020 are not necessarily indicative of the results to be expected for the year ending December 31, 2020. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2019.

Certain reclassifications have been made to the 2019 condensed consolidated financial statements to conform with classifications used in 2020. 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, 2020, the Clinic adopted FASB Accounting Standards Update (ASU) No. 2018-13, *Fair Value Measurement (Topic 820).* This ASU improves the effectiveness of the notes to financial statements through changes in the disclosure requirements for fair value measurement. The adoption of this ASU did not materially impact the condensed consolidated financial statements.

New Accounting Standards Not Yet Adopted:

In August 2018, the FASB issued 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 ASU is effective January 1, 2021 and will be applied using a retrospective approach.

In August 2018, the FASB issued 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 ASU is effective January 1, 2021 and will be applied using a prospective approach.

Note 2. New Accounting Standards (Continued)

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 ASUs on its condensed consolidated financial statements.

September 30, 2020 (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 September 30, 2020 and December 31, 2019:

	September 30, 2020	December 31, 2019
Cash and cash equivalents	$ 51	$ 48
Accounts receivable	1,905	2,020
Promises to give	170	185
Grants receivable	123	114
Other receivables	147	159
Investments	8,656	6,997
Total financial assets available within one year	$ 11,052	$ 9,523

Note 4. Medical Service Revenue

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

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

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

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

Note 4. Medical Service Revenue (Continued)

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

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

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

Generally, patients who are covered by third-party payors are responsible for related deductibles and coinsurance, which vary in amount. The Clinic also provides services to uninsured patients, and offers those uninsured patients a discount, either by policy or law, from standard charges. The Clinic estimates the transaction price for patients with deductibles and coinsurance and from those who are uninsured based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts, and implicit price concessions. Subsequent changes to the estimate of the transaction price are generally recorded as adjustments to medical service revenue in the period of the change. For the three and nine months ended September 30, 2020 and 2019, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the three and nine months ended September 30, 2020 and 2019 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 in 2020 or 2019.

September 30, 2020 (in Millions)

Note 4. Medical Service Revenue (Continued)

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

The composition of medical service revenue based on the regions of the country in which the Clinic operates in, its lines of business, and timing of revenue recognition for the three months ended September 30, 2020 and 2019 are as follows:

	Three Months Ended September 30, 2020			
	Midwest	Southeast	Southwest	Total
Hospital	$ 1,190	$ 220	$ 273	$ 1,683
Clinic	795	175	182	1,152
Senior Care and Nursing Home	4	—	—	4
Other	13	1	—	14
Total patient care service revenue	2,002	396	455	2,853
External lab	254	—	—	254
Total medical service revenue	$ 2,256	$ 396	$ 455	$ 3,107
Timing of revenue and recognition:				
At time services are rendered	$ 1,062	$ 176	$ 182	$ 1,420
Services transferred over time	1,194	220	273	1,687
Total	$ 2,256	$ 396	$ 455	$ 3,107

	Three Months Ended September 30, 2019			
	Midwest	Southeast	Southwest	Total
Hospital	$ 1,117	$ 199	$ 249	$ 1,565
Clinic	841	154	168	1,163
Senior Care and Nursing Home	5	—	—	5
Other	13	—	—	13
Total patient care service revenue	1,976	353	417	2,746
External lab	181	—	—	181
Total medical service revenue	$ 2,157	$ 353	$ 417	$ 2,927
Timing of revenue and recognition:				
At time services are rendered	$ 1,035	$ 154	$ 168	$ 1,357
Services transferred over time	1,122	199	249	1,570
Total	$ 2,157	$ 353	$ 417	$ 2,927

September 30, 2020 (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, 2020 and 2019 are as follows:

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

	Nine Months Ended September 30, 2019			
	Midwest	Southeast	Southwest	Total
Hospital	$ 3,284	$ 570	$ 746	$ 4,600
Clinic	2,430	485	498	3,413
Senior Care and Nursing Home	13	—	—	13
Other	38	—	—	38
Total patient care service revenue	5,765	1,055	1,244	8,064
External lab	545	—	—	545
Total medical service revenue	$ 6,310	$ 1,055	$ 1,244	$ 8,609
Timing of revenue and recognition:				
At time services are rendered	$ 3,013	$ 485	$ 498	$ 3,996
Services transferred over time	3,297	570	746	4,613
Total	$ 6,310	$ 1,055	$ 1,244	$ 8,609

September 30, 2020 (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 $238 and $284, respectively, for the three months ended September 30, 2020 and 2019 and $656 and $828, respectively, for the nine months ended September 30, 2020 and 2019. 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:

	2020	2019
Medicare	$ 761	$ 701
Medicaid	99	102
Contract	1,835	1,749
Other, including self-pay	412	375
Total	$ 3,107	$ 2,927

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

	2020	2019
Medicare	$ 2,088	$ 2,077
Medicaid	280	291
Contract	4,950	5,110
Other, including self-pay	1,024	1,131
Total	$ 8,342	$ 8,609

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 nine months ended September 30, 2020 and 2019, 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 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 consolidated statements of activities, represents the difference between the total investment return and the amount allocated to current activities, net of investment costs.

Note 6. Fair Value Measurements

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Clinic's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers or activity within Levels for the nine months ended September 30, 2020 and 2019.

September 30, 2020 (in Millions)

Note 6. Fair Value Measurements (Continued)

The following tables present the financial instruments carried at fair value as of September 30, 2020 and December 31, 2019, by caption on the condensed consolidated statements of financial position categorized by the valuation hierarchy and NAV:

	September 30, 2020				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	$ 4	$ —	$ —	$ —	$ 4
Investments:					
Cash and cash equivalents	2,811	—	—	—	2,811
Fixed-income securities:					
U.S. government	—	237	—	—	237
U.S. government agencies	—	377	—	—	377
U.S. corporate	—	471	9	—	480
Foreign	—	101	—	—	101
Common and preferred stocks:					
U.S.	723	—	—	—	723
Foreign	446	—	20	—	466
Funds:					
Fixed-income	445	10	—	—	455
Equities	724	484	—	—	1,208
Other investments	—	—	—	—	—
Less securities under lending agreement	(18)	—	—	—	(18)
Investments at NAV	—	—	—	6,231	6,231
Total investments	5,131	1,680	29	6,231	13,071
Investments under securities lending agreement	18	—	—	—	18
Other long-term assets:					
Trust receivables	66	26	79	—	171
Technology-based ventures	—	—	73	—	73
Total other long-term assets	66	26	152	—	244
Total assets at fair value	$ 5,219	$ 1,706	$ 181	$ 6,231	$ 13,337
Liabilities:					
Securities lending payable	$ 4	$ —	$ —	$ —	4
Total liabilities at fair value	$ 4	$ —	$ —	$ —	$ 4

September 30, 2020 (in Millions)

Note 6. Fair Value Measurements (Continued)

	December 31, 2019				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	$ 1	$ —	$ —	$ —	$ 1
Investments:					
Cash and cash equivalents	1,304	—	—	—	1,304
Fixed-income securities:					
U.S. government	—	396	—	—	396
U.S. government agencies	—	376	—	—	376
U.S. corporate	—	436	22	—	458
Foreign	—	44	—	—	44
Common and preferred stocks:					
U.S.	686	—	—	—	686
Foreign	457	—	2	—	459
Funds:					
Fixed-income	505	—	—	—	505
Equities	661	605	—	—	1,266
Other investments	—	—	—	—	—
Less securities under lending agreement	(19)	—	—	—	(19)
Investments at NAV	—	—	—	5,660	5,660
Total investments	3,594	1,857	24	5,660	11,135
Investments under securities lending agreement	19	—	—	—	19
Other long-term assets:					
Trust receivables	70	27	82	—	179
Technology-based ventures	—	—	64	—	64
Total other long-term assets	70	27	146	—	243
Total assets at fair value	$ 3,684	$ 1,884	$ 170	$ 5,660	$ 11,398
Liabilities:					
Securities lending payable	$ 1	$ —	$ —	$ —	1
Total liabilities at fair value	$ 1	$ —	$ —	$ —	$ 1

September 30, 2020 (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 primarily 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 $549 and $311 more than its carrying value at September 30, 2020 and December 31, 2019, 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, 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)	$ 3,024	$ —	Monthly to annually	30–90 days
Private partnerships (b)	3,207	1,414		
Total alternative investments	$ 6,231	$ 1,414		

September 30, 2020 (in Millions)

Note 6. Fair Value Measurements (Continued)

At December 31, 2019, 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)	$ 2,706	$ —	Monthly to annually	30–90 days
Private partnerships (b)	2,954	1,266		
Total alternative investments	$ 5,660	$ 1,266		

(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, 2020 and December 31, 2019, the aggregate market value of securities on loan under securities lending agreements totaled $18 and $19, respectively, and the total value of the collateral supporting the securities is $19 and $20, respectively, which represents 105 percent of the value of the securities on loan at September 30, 2020 and December 31, 2019, respectively. The cash portion of the collateral supporting the securities as of September 30, 2020 and December 31, 2019, is $4 and $1 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.

September 30, 2020 (in Millions)

Note 8. Financing

In April 2020, the Clinic entered into a five year bank loan agreement for $100 at 1.80 percent in addition to a $100 line of credit for general operating purposes.

In May 2020, the Clinic issued bonds in the amount of $100 with a 1.99 percent fixed rate of interest due in 2027. The proceeds of the bonds will be used for general corporate purposes. In addition, the Clinic refunded $130 of bonds by entering into a direct bank purchase for 10 years at 1.54 percent. The bond modification was accounted for as an extinguishment of debt. The loss on extinguishment was not significant. Also in May, the Clinic closed on a private placement transaction with an insurance company in the amount of $200 for general corporate purposes with a 3.17 percent fixed rate with a final maturity of 2062.

In September, the Clinic closed on a private placement transaction with an insurance company in the amount of $100 million with a 3.16 percent interest rate with a final maturity of 2060. The proceeds of the private placement and bank loans 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, 2020	December 31, 2019
Research	$ 1,150	$ 1,095
Education	265	201
Buildings and equipment	3	3
Charity care	10	10
Clinical	152	146
Other	998	976
Total designation for specified purpose	$ 2,578	$ 2,431

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

	September 30, 2020	December 31, 2019
Quasi endowments	$ 2,422	$ 2,286
Professional liability reserve	103	99
Other reserves	53	46
Total	$ 2,578	$ 2,431

September 30, 2020 (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, 2020	December 31, 2019
Subject to expenditure for specified purposes:		
Research	$ 444	$ 366
Education	47	40
Buildings and equipment	225	133
Charity care	37	39
Clinical	60	51
Other	14	15
Total expenditure for specified purposes	827	644
Subject to passage of time:		
Pledges and trusts	417	348
Endowments:		
Perpetual in nature:		
Research	1,046	1,006
Education	219	210
Charity care	14	14
Clinical	187	184
Other	28	29
Pledges and trusts	316	348
Total perpetual in nature	1,810	1,791
Subject to endowment spending policy:		
Research	522	502
Education	273	268
Charity care	29	26
Clinical	107	104
Other	33	32
Total subject to endowment spending policy	964	932
Total endowments	2,774	2,723
Total net assets with donor restrictions	$ 4,018	$ 3,715

September 30, 2020 (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 September 30:

	2020	2019
Research	$ 49	$ 38
Education	5	6
Other	2	3
Total net assets released from donor restrictions	$ 56	$ 47

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

	2020	2019
Research	$ 104	$ 95
Education	16	23
Buildings and equipment	2	5
Other	31	13
Total net assets released from donor restrictions	$ 153	$ 136

September 30, 2020 (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 September 30, 2020 and 2019, supported the following programs and functions:

	2020							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 1,728	$ 41	$ 154	$ 76	$ 15	$ 4	$ 55	$ 2,073
Supplies and services	691	267	55	13	6	1	15	1,048
Depreciation and amortization	128	2	17	3	2	1	1	154
Facilities	46	2	4	2	4	—	1	59
Finance & investment	36	—	4	—	1	—	(12)	29
Total	$ 2,629	$ 312	$ 234	$ 94	$ 28	$ 6	$ 60	$ 3,363

	2019							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 1,611	$ 44	$ 141	$ 74	$ 6	$ 1	$ 12	$ 1,889
Supplies and services	696	218	63	16	11	4	9	1,017
Depreciation and amortization	123	2	15	2	1	1	1	145
Facilities	59	2	4	3	3	—	—	71
Finance & investment	32	—	3	—	1	—	(3)	33
Total	$ 2,521	$ 266	$ 226	$ 95	$ 22	$ 6	$ 19	$ 3,155

September 30, 2020 (in Millions)

Note 11. Functional Expenses (Continued)

The expenses reported in the condensed consolidated statements of activities for the nine months ended September 30, 2020 and 2019, supported the following programs and functions:

2020	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 5,046	$ 123	$ 456	$ 223	$ 33	$ 12	$ 58	$ 5,951
Supplies and services	1,975	704	157	40	8	3	37	2,924
Depreciation and amortization	383	6	48	9	7	1	2	456
Facilities	159	4	12	7	10	—	1	193
Finance & investment	105	1	13	1	1	—	(25)	96
Total	$ 7,668	$ 838	$ 686	$ 280	$ 59	$ 16	$ 73	$ 9,620

2019	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 4,807	$ 135	$ 420	$ 211	$ 24	$ 5	$ 104	$ 5,706
Supplies and services	2,026	631	177	50	19	12	34	2,949
Depreciation and amortization	364	6	44	8	6	1	2	431
Facilities	171	4	12	8	9	—	1	205
Finance & investment	96	1	11	1	1	—	(9)	101
Total	$ 7,464	$ 777	$ 664	$ 278	$ 59	$ 18	$ 132	$ 9,392

September 30, 2020 (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	
	2020	2019
Service cost	$ 138	$ 111
Interest cost	93	94
Expected return on plan assets	(169)	(159)
Amortization of unrecognized:		
Prior service benefit	(13)	(12)
Net actuarial loss	61	35
Net periodic benefit cost	$ 110	$ 69

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

	Postretirement Benefits	
	2020	2019
Service cost	$ 3	$ 2
Interest cost	9	11
Amortization of unrecognized:		
Prior service benefit	(5)	(5)
Net actuarial loss	7	2
Net periodic cost	$ 14	$ 10

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

	Qualified	
	2020	2019
Service cost	$ 415	$ 335
Interest cost	278	281
Expected return on plan assets	(508)	(477)
Amortization of unrecognized:		
Prior service benefit	(38)	(37)
Net actuarial loss	183	106
Net periodic benefit cost	$ 330	$ 208

September 30, 2020 (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	
	2020	2019
Service cost	$ 7	$ 6
Interest cost	29	32
Amortization of unrecognized:		
Prior service benefit	(14)	(14)
Net actuarial loss	22	8
Net periodic cost	$ 44	$ 32

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, 2020, approximated $1,626, 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 it was declared a national public health emergency, followed by several state emergency declarations, and the Centers for Medicare and Medicaid Services (CMS) issuing guidance regarding elective procedures. Several national and international travel restrictions were put in place and the governors in the states in which the Clinic has operations issued executive orders postponing non-essential or elective surgeries. In response, the Clinic took appropriate measures to respond to the anticipated revenue shortfalls; including, reducing supplemental and contract workforce, halting most construction projects, deferring or delaying most strategic initiatives, and announcing temporary salary and staff reductions.

As of September 30, 2020, the Clinic received approximately $338 of provider relief funds from various provisions in the Coronavirus Aid, Relief and Economic Securities Act (CARES Act) of which approximately $173 was recognized as other revenue in the condensed consolidated statement of activities. The remaining amount has been reported as deferred revenue in the condensed consolidated statements of financial position as the Clinic reviews the attestation requirements. Additionally, in April 2020, the Clinic received $915 of Medicare advance payments as part of the CMS Accelerated and

Note 14. COVID-19 Continued)

Advance Payments Program, and subsequently returned the $915 of the CMS Accelerated and Advance Program payments in July 2020.

The Clinic was well-prepared and ready to treat patients with COVID-19 across the organization, especially those with serious or complex medical conditions. By the end of May 2020, the governors had relaxed restrictions on non-essential or elective surgeries. The Clinic resumed to safely caring for patients facing non-COVID-19 conditions who are in need of the unique and specialized care offered by the Clinic. 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. In February 2020, 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, all executed November 25, 2019.

The joint venture has an initial commitment period of twenty years and may be extended by ten years. The value of the initial equity of the joint venture is currently being evaluated. Any difference between the value of the Clinic’s cash investment and the value of the initial equity in the joint venture is not anticipated to be significant and will create a deferred gain to be recognized over time.

The Clinic has a $150 conditional pledge from the joint venture at September 30, 2020 . The brand license and hospital expertise agreements are effective January 2021.

Note 16. Subsequent Events

The Clinic evaluated events and transactions occurring subsequent to September 30, 2020 through November 12, 2020, the date of issuance of the condensed consolidated financial statements. During this period, there were no subsequent events requiring recognition in the condensed consolidated financial statements. In addition, there were not any nonrecognized subsequent events requiring disclosure.

MAYO
CLINIC

MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2020

November 2020

MAYO CLINIC: WHEN IT'S TIME TO FIND ANSWERS

MORE EXPERIENCE

Every year, more than a million people come to Mayo Clinic for care. Our highly specialized experts are experienced in treating rare and complex conditions.

THE RIGHT ANSWERS

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

UNPARALLELED EXPERTISE

Mayo Clinic experts and health care providers are some of the best in the world. In the *U.S. News & World Report* rankings of best hospitals, Mayo Clinic consistently ranks among the top hospitals in the nation.

MAYO CLINIC'S 'BOLD. FORWARD.' STRATEGY

Mayo Clinic’s patient-centered values and culture drive its 2030 strategy to **cure, connect and transform** health care over the next decade. With digital innovations and new technologies, Mayo Clinic is moving quickly to extend its compassionate care, expertise and research, and is reinvesting hundreds of millions of dollars in people and facilities in the communities it serves. Bolstered by a culture of innovation, we will continue to cure, solve the most complex medical problems, and lead the way in transforming health care for all.

ABOUT MAYO CLINIC

Mayo Clinic is one of the largest not-for-profit academic health systems in the U.S., with $14 billion in annual revenues and 70,000 employees. We provide comprehensive medical care, education in clinical medicine and medical sciences, and extensive research programs. Mayo Clinic has major campuses in Rochester, Minn., Phoenix, Ariz., and Jacksonville, Fla. Mayo Clinic Health System has over 70 locations in Minnesota, Wisconsin, and Iowa.

THE NEEDS OF THE PATIENT COME FIRST

When a tornado devastated the community of Rochester, Minn. in 1883, Dr. William Worrall Mayo, a country medical 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. The Franciscan Sisters and Dr. W.W. Mayo worked together to build Saint Marys Hospital in 1889, and after completing their medical training, Dr. Will Mayo and Dr. Charlie Mayo carried on their work and vision. They developed the integrated group practice, education and research model that is at the heart of Mayo Clinic's mission, to inspire hope and contribute to health and well-being by providing the best care to every patient, every day.

2020: ACCELERATING TRANSFORMATION

Mayo Clinic has navigated through the unprecedented challenges of 2020 remarkably well. We continue to focus on patient-centered care, our mission and values, and accelerating our strategic plan to cure, connect and transform health care for the benefit of our patients.

LEADING COVID-19 CARE

- **Best in class COVID-19 mortality**: At Mayo Clinic, mortality is 0.71% compared to 4% nationwide. For patients in the ICUs, Mayo's mortality of 13% compared to an average estimated national mortality of 27%.
- **Convalescent plasma and other research:** Mayo Clinic led the Expanded Access Program for Convalescent Plasma Therapy for the federal government that resulted in 70,000 people receiving convalescent plasma for treatment and FDA issuing emergency use authorization for expanding the use of plasma.
- **COVID-19 Healthcare Coalition:** Mayo helped to initiate and co-lead the coalition, a broadly based response that involved hundreds of global technology companies, nonprofits, academic institutions, laboratories and start-ups that have come together to share resources and plans to fight the virus.
- **Mayo Clinic Laboratories (MCL) testing:** MCL developed highly accurate diagnostic and antibody tests and now offers them at scale. MCL has performed close to 2 million molecular tests for patients in 48 states and is seeking FDA approval for an at-home COVID-19 test.
- **Remote patient monitoring and other innovations:** Among the many innovations that Mayo Clinic is using to transform patient care in response to COVID-19 is remote patient monitoring, keeping patients at home to minimize the risk of exposing other patients to infection, and the use of teleICU technology to provide expert care remotely.

PARTNERING TO TRANSFORM

Mayo Clinic, Google launch AI initiative for radiation therapy

Mayo Clinic and Google Health announced a joint initiative focusing on research into the use of artificial intelligence (AI) to radiation therapy planning, a critical component of cancer care. Radiation therapy experts from Mayo Clinic, including radiation oncologists, medical physicists, dosimetrists and service design, will collaborate with Google Health's experts in applying AI to medical imaging.

In this first stage of the initiative, Mayo Clinic and Google Health teams will use de-identified data to develop and validate an algorithm to automate contouring of healthy tissue and organs from tumors, and develop adaptive dosage and treatment plans for patients undergoing radiation therapy for cancers in the head and neck area. The goal is to develop an algorithm that will improve the quality of radiation plans and patient outcomes while reducing treatment planning times and improving the efficiency of radiotherapy practice.

Mayo Clinic, Safe Health Group launch new health and diagnostics platform
Mayo Clinic and Safe Health Group announced the formation of Safe Health Systems Inc., a venture focused on reducing the cost of low-complexity care and commodity diagnostics at a mass scale. Through SAFE, a proprietary technology platform, Safe Health Systems aims to improve access to efficient, affordable treatment for common medical conditions.

The new venture is part of the Mayo Clinic Platform, a strategic initiative to improve health care through insights and knowledge derived from data and delivered through platform business models.

The SAFE platform supports the rapid implementation of custom digital health applications, which combine digital provider services, AI-based care automation, and remote point-of-care diagnostics. The absence of remote testing currently is a limiting factor for digital and telehealth treatment of common low-complexity ailments such as sexually transmitted diseases, and flu.

SAFE's initial focus is enabling testing for COVID-19, sexually transmitted diseases and common ailments. The platform is actively deployed for COVID-19 testing, linking patients, clinicians and test providers via HealthCheck, an advanced smartphone and desktop application. As COVID-19 vaccinations become available, the application will support vaccine workflow and verification.

New international plans will bring worldwide access to the Mayo Model of Care
Building on existing efforts, Mayo Clinic has developed a new, long-term strategy to expand Mayo's global reach and serve more patients around the world. The strategy is to develop a range of physical and digital products and services that Mayo can offer patients and partners in strategically selected regions, with long-term plans to have a presence in all major global markets. These offerings will range from reference content to engagement services to integrated specialty care such as diagnostic centers and specialty clinics.

CARING FOR PATIENTS

Accelerated by the challenges of the COVID-19 pandemic, Mayo Clinic launched a new digital initiative to promote self-scheduling, and patients are responding. Over 15,000 patients self-scheduled in September, compared with 2,000 patients in September of last year. While most were already Mayo Clinic patients, the next phase of self-scheduling will incorporate AI-supported tools to make it easy for new-to-Mayo patients to self-schedule and will help identify patients with serious or complex medical conditions.

Also in response to the pandemic, Mayo Clinic has greatly accelerated the use of virtual appointments. As of September 2019, Mayo had conducted 2,700 virtual appointments. That number has grown to more than 200,000 by this fall, and we also are expanding care delivered through remote patient monitoring, inpatient and outpatient eConsults and Express Care eVisits.

Building on the success of virtual care provided for COVID-19 patients, Mayo Clinic has launched Advanced Care at Home, a new care model that delivers comprehensive and complex care to patients through a new technology platform. Enrollment has begun at Mayo Clinic in Jacksonville and at Mayo Clinic Health System facilities in Northwest Wisconsin.

2020: CONTINUING EXCELLENCE

For the fifth consecutive year, **Mayo Clinic in Rochester has been named the No. 1 hospital in the nation by *U.S. News & World Report***. Mayo Clinic in Arizona moved up by two in the national rankings to No. 16 and Florida moved from No. 43 to No. 28 nationally.

Among specialties, Mayo Clinic is ranked No. 1 in five specialties:

- Diabetes and Endocrinology
- Ear, Nose and Throat
- Gastroenterology and Gastroenterologic Surgery
- Nephrology
- Urology

In addition, Mayo Clinic in Rochester is ranked No. 2 in six other specialties:

- Cardiology and Heart Surgery
- Geriatrics
- Gynecology
- Neurology and Neurosurgery
- Orthopedics
- Pulmonology and Lung Surgery

Top 5 Hospitals Specialty Rankings

Mayo Clinic	1	1	1	1	1	1	2	2	3	3	4	7
Cleveland Clinic	1	2	2	3	4	4	5	5	6	9	9	16
Johns Hopkins	1	1	3	4	4	4	5	7	7	16	17	34
UCLA	3	3	4	5	5	7	7	8	8	8	13	26
New York-Presbyterian	2	3	4	4	5	5	6	9	11	11	15	20

Mayo Clinic hospitals earn Press Ganey awards for patient experience
Four Mayo Clinic hospitals were honored with Press Ganey's 2020 Guardian of Excellence and Pinnacle of Excellence awards. These awards are given to top-performing organizations for extraordinary achievements in patient experience each year.

Mayo Clinic in Florida opens Women's Health Specialty Center
Mayo Clinic has opened a Women's Health Specialty Center in Florida dedicated to

providing women with resources they need to improve their well-being, based on their health needs, genetic traits, lifestyle and personal preferences. The center is an extension of the Mayo Clinic Center for Women's Health and will use a multidisciplinary approach to treatment for a number of women's health issues such as menopause, sexual health, hormone therapy, bone density, cardiology and more.

The multidisciplinary center will collaborate with other divisions and departments at Mayo Clinic to incorporate medical care plans individualized to women, integrative health and lifestyle services into their models of care.

Mayo Clinic recognized for hiring and employment practices
For the third consecutive year, Mayo Clinic has received the Leading Disability Employer Seal from the National Organization on Disability. The achievement recognizes companies that demonstrate exemplary employment practices for people with disabilities.

An area of significant focus for Mayo Clinic is in Climate and Culture through these efforts:

- Mayo Clinic Human Resources partnered with Recovery and Claims to implement policies and practices that foster a culture inclusive of people with disabilities, which focus on the person, and not the disability, and that encourage self-identification.
- Mayo Clinic Employee Resource Groups (MERGs) improving staff and patient experiences by providing access to videophones in Rochester and Florida, and including captioning as a standard option on the internal video request form.

In addition, Mayo Clinic is currently launching the "I am!" campaign, an initiative to strengthen Mayo's culture of inclusivity for staff with disabilities. The campaign aligns with the 30-year anniversary of the Americans with Disabilities Act.

Mayo Clinic also has launched the EverybodyIN campaign, designed to encourage people to talk openly about racism and provide opportunities to listen, learn and grow. Mayo believes that making sustainable changes in society starts with self-reflection and expanding our own experiences and understanding. Among the programming, EverybodyIN Conversations are a facilitated virtual series that focuses on diversity, equity and inclusion.

Mayo Clinic has committed to invest $100 million over the next 10 years to eliminate racism and advance equity and inclusion within Mayo Clinic, and to improve health equity in the communities we serve.

The Human Rights Campaign Foundation has named Mayo Clinic as a leader in health care equality for lesbian, gay, bisexual, transgender and queer (LGBTQ) people. Mayo Clinic in Arizona, Florida and Minnesota have been recognized by the Human Rights Campaign Foundation as "Leaders in LGBTQ Healthcare Equality." The Foundation is the educational arm of the Human Rights Campaign, the largest civil rights organization in the U.S. working to achieve equality for LGBTQ people.

2020: DISCUSSION OF THIRD QUARTER RESULTS

Mayo Clinic's financial performance for the third quarter continued a strong trajectory of recovery, building on the favorable performance outcomes produced upon the reactivation of practice volumes in late April and early May. Revenue for the quarter totaled $3.65 billion, reflecting 7.4% growth over the comparable period in 2019. Net operating income for the quarter was $288 million (as normalized for a reclassification of investment income noted below), 18.0% above the $244 million in third quarter 2019.

Year-to-date, Mayo Clinic's reported revenue was $9.98 billion, 1.5% below the prior year., while net operating income was $355 million, 51.4% below the same period a year ago. This performance equates to an operating margin of 3.6%.

(in Millions):	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Change From 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change From 2019
Revenue	$3,399	$3,651	7.4%	$10,123	$9,975	-1.5%
Expenses	3,155	3,363	6.6%	9,392	9,620	2.4%
Net Operating Income	**$244**	**$288**	**18.0%**	**$731**	**$355**	**-51.4%**
Noncurrent & other items	131	699	433.6%	776	412	-46.9%
Income over expenses	**$375**	**$987**	**163.2%**	**1,507**	**767**	**-49.1%**
Postretirement Adj.	21	51	142.9%	63	154	154.4%
Increase in net assets	**$396**	**$1,038**	**162.1%**	**$1,570**	**$921**	**-41.3%**

These results include three significant non-recurring charges:

- Provider relief funding and tax credits received from federal and state programs (including the U.S. CARES Act) designed to provide health care organizations with economic relief during the COVID-19 pandemic. Funding and credits received to date total $405 million of which $63 million and $236 million are included in the third quarter and year-to-date results, respectively.
- An expense accrual of $156 million in employee payments, retroactive pay, and benefit restoration was recorded in August with payment of these amounts beginning to be made in October of this year.
- A change in the reporting classification of investment earnings, between non-operating income and income from operations. The year-to-date amount of this reporting change had the effect of reducing net operating income by $148 million for the nine month period, increasing non-operating income by the same amount, with no impact on reported revenue over expenses. The effect of this reclassification has been reflected in these results as if it occurred at the beginning of the year. Prior year financial results have also been reclassified to align with this treatment.

REVENUE

Year to date, net medical service revenue of $8.34 billion was 84% of total revenue and represented a 3.1% decline from prior year. For the third quarter, net medical service revenue of $3.11 billion represented 85% of total revenue and represented a 6.1% increase from the prior year quarter. Volumes over the last nine months have varied considerably but have recently stabilized at slightly below normal levels.

(in Millions):	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Change From 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change From 2019
Revenue						
Net medical service revenue	$2,927	$3,107	6.1%	$8,609	8,342	-3.1%
Grants and contracts	130	142	9.2%	429	411	-4.2%
Contributions	47	54	14.9%	164	177	7.9%
Investments	60	61	1.7%	187	190	1.6%
Other	235	287	22.1%	734	855	16.3%
Total revenue	**$3,399**	**$3,651**	**7.4%**	**$10,123**	**$9,975**	**-1.5%**

EXPENSES

Year-to-date total expenses of $9.62 billion represented year-over-year growth of 2.4%. Total salary and benefit expense of $5.95 billion represented an increase of 4.3% over the prior year and comprised 62% of operating expenses.

	Three Months Ended September 30, 2019	Three Months Ended September 30, 2020	Change From 2019	Nine Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Change From 2019
Expenses (in Millions):						
Salaries and benefits	$1,889	$2,073	9.7%	$5,706	$5,951	4.3%
Supplies and services	1,017	1,048	3.0%	2,949	2,924	-0.8%
Facilities	216	213	-1.4%	636	649	2.0%
Finance and investment	33	29	-12.1%	101	96	-5.0%
Total expenses	**$3,155**	**$3,363**	**6.6%**	**$9,392**	**$9,620**	**2.4%**

CASH, INVESTMENTS, AND BALANCE SHEET STRENGTH

Cash and investments of $13.14 billion at September 30, 2020 represent an increase of $1.94 billion since December 31, 2019 due largely to the return of practice operations and strong investment returns in the third quarter. Cash flow from operations was $1.63 billion, offset by $495 million in capital expenditures and supplemented by $401 million in investment returns and new debt of $485 million. In August 2020, Mayo returned in full $915 million of CMS advance payments received in April, 2020.

As of September 30, 2020, Mayo's cash and investment position included $1.89 billion of working capital, $1.05 billion in short term liquidity reserves, and $9.16 billion in long term investments which are held in its primary investment vehicle, the Long Term Fund (LTF). The LTF is composed of $4.89 billion of endowed funds (both donor and board-restricted) and $4.27 billion of unrestricted reserves. Investment earnings on Mayo's endowed funds are a key source of support for its research and education programs, providing $155 million in combined funding for YTD 2020.

Mayo Clinic's consistent and strong investment returns are an important source of financial strength and resilience. As of September 30, 2020, the LTF's trailing one year return was 9.1%. Over longer time periods as of the same date, the fund generated annualized investment returns of 8.5% over the trailing five years, 9.0% over the trailing ten years, and 7.8% over the trailing 20 years.

Key balance sheet ratios reflect the strong continued performance and liquidity management as we navigate the COVID-19 pandemic.

	9/30/2020	12/31/2019	9/30/2019
Days Revenue Outstanding	55.9	61.7	61.9
Days Cash on Hand	320	270	262
Debt Service Coverage Ratio	5.4x	8.4x	7.9x
Cash to Debt	281%	268%	253%
Debt to Capitalization	35%	33%	32%

SUMMARY AND CONCLUSION

Mayo Clinic's third quarter and year-to-date 2020 financial performance reflects exemplary results during a remarkably challenging time. They are the direct outcome of the efforts of our committed staff who have been on the front lines of caring for COVID-19 patients, developing lifesaving treatments, and conducting the testing and research that is essential to finding therapeutics, while advancing our mission to cure, connect and transform.