



Mayo Clinic

Unaudited Condensed Consolidated Financial Reports
June 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)**

	June 30, 2022 Unaudited	December 31, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 51	\$ 46
Accounts receivable for medical services	1,876	1,826
Other receivables	639	648
Other current assets	400	317
Total current assets	<u>2,966</u>	<u>2,837</u>
Investments	17,023	18,021
Other long-term assets	1,474	1,407
Property, plant, and equipment, net	5,574	5,410
Total assets	<u><u>\$ 27,037</u></u>	<u><u>\$ 27,675</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 601	\$ 768
Accrued payroll	793	818
Accrued employee benefits	170	168
Deferred revenue	67	62
Long-term variable-rate debt	760	620
Other current liabilities	487	509
Total current liabilities	<u>2,878</u>	<u>2,945</u>
Long-term debt, net of current portion	4,020	3,552
Accrued pension and postretirement benefits, net of current portion	1,242	1,378
Other long-term liabilities	2,011	2,133
Total liabilities	<u>10,151</u>	<u>10,008</u>
Net assets:		
Without donor restrictions	11,834	12,431
With donor restrictions	5,052	5,236
Total net assets	<u>16,886</u>	<u>17,667</u>
Total liabilities and net assets	<u><u>\$ 27,037</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 June 30, 2022			Three Months Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 3,439	\$ —	\$ 3,439	\$ 3,343	\$ —	\$ 3,343
Grants and contracts	169	—	169	150	—	150
Investment return allocated to current activities	67	4	71	50	4	54
Contributions available for current activities	17	35	52	19	90	109
Other	302	—	302	284	—	284
Net assets released from restrictions	66	(66)	—	94	(94)	—
Total revenue, gains and other support	4,060	(27)	4,033	3,940	—	3,940
Expenses:						
Salaries and benefits	2,290	—	2,290	2,140	—	2,140
Supplies and services	1,306	—	1,306	1,081	—	1,081
Depreciation and amortization	154	—	154	153	—	153
Facilities	80	—	80	77	—	77
Finance and investment	48	—	48	38	—	38
Total expenses	3,878	—	3,878	3,489	—	3,489
Income (loss) from current activities	182	(27)	155	451	—	451
Noncurrent and other items:						
Contributions not available for current activities, net	(10)	103	93	(4)	61	57
Unallocated investment return, net	(836)	(216)	(1,052)	591	199	790
Income tax expense	(7)	—	(7)	(13)	—	(13)
Benefit credit	44	—	44	16	—	16
Other	113	—	113	(52)	—	(52)
Total noncurrent and other items	(696)	(113)	(809)	538	260	798
Increase (decrease) in net assets before other changes in net assets	(514)	(140)	(654)	989	260	1,249
Pension and other postretirement benefit adjustments	50	—	50	72	—	72
Increase (decrease) in net assets	(464)	(140)	(604)	1,061	260	1,321
Net assets at beginning of period	12,298	5,192	17,490	8,511	4,708	13,219
Net assets at end of period	\$ 11,834	\$ 5,052	\$ 16,886	\$ 9,572	\$ 4,968	\$ 14,540

See notes to condensed consolidated financial statements.



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

	Six Months Ended June 30, 2022			Six Months Ended June 30, 2021		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 6,785	\$ —	\$ 6,785	\$ 6,492	\$ —	\$ 6,492
Grants and contracts	323	—	323	291	—	291
Investment return allocated to current activities	131	12	143	108	12	120
Contributions available for current activities	34	96	130	28	119	147
Other	579	—	579	561	—	561
Net assets released from restrictions	110	(110)	—	142	(142)	—
Total revenue, gains and other support	7,962	(2)	7,960	7,622	(11)	7,611
Expenses:						
Salaries and benefits	4,551	—	4,551	4,246	—	4,246
Supplies and services	2,560	—	2,560	2,147	—	2,147
Depreciation and amortization	308	—	308	304	—	304
Facilities	160	—	160	149	—	149
Finance and investment	84	—	84	71	—	71
Total expenses	7,663	—	7,663	6,917	—	6,917
Income (loss) from current activities	299	(2)	297	705	(11)	694
Noncurrent and other items:						
Contributions not available for current activities, net	(14)	126	112	(13)	186	173
Unallocated investment return, net	(1,218)	(308)	(1,526)	800	444	1,244
Income tax expense	(19)	—	(19)	(27)	—	(27)
Benefit credit	88	—	88	31	—	31
Other	167	—	167	(84)	—	(84)
Total noncurrent and other items	(996)	(182)	(1,178)	707	630	1,337
Increase (decrease) in net assets before other changes in net assets	(697)	(184)	(881)	1,412	619	2,031
Pension and other postretirement benefit adjustments	100	—	100	144	—	144
Increase (decrease) in net assets	(597)	(184)	(781)	1,556	619	2,175
Net assets at beginning of period	12,431	5,236	17,667	8,016	4,349	12,365
Net assets at end of period	\$ 11,834	\$ 5,052	\$ 16,886	\$ 9,572	\$ 4,968	\$ 14,540

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Cash Flows
Unaudited (In Millions)

	Six Months Ended June 30, 2022	Six Months Ended June 30, 2021
Cash flows from operating activities:		
Cash from medical services	\$ 6,284	\$ 5,883
Cash from external lab services	451	505
Cash from grants and contracts	324	306
Cash from benefactors	147	114
Cash from other activities	546	468
Cash for salaries and benefits	(4,514)	(4,154)
Cash for supplies, services, and facilities	(2,845)	(2,408)
Interest and dividends received	38	90
Interest paid	(74)	(59)
Income taxes paid	(42)	(56)
Net cash provided by operating activities	315	689
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(576)	(387)
Purchases of investments	(3,589)	(4,026)
Sales and maturities from investments	3,184	3,078
Net cash used in investing activities	(981)	(1,335)
Cash flows from financing activities:		
Restricted gifts, bequests, and other	61	122
Borrowing on long-term debt	807	500
Payment of long-term debt	(194)	(3)
Payment on leases	(3)	(3)
Net cash provided by financing activities	671	616
Net increase (decrease) in cash and cash equivalents	5	(30)
Cash and cash equivalents at beginning of period	46	72
Cash and cash equivalents at end of period	<u>\$ 51</u>	<u>\$ 42</u>

See notes to condensed consolidated financial statements.



Notes to Unaudited Condensed Consolidated Financial Statements

June 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 six months ended June 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

June 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 at June 30, 2022 and December 31, 2021:

	June 30, 2022	December 31, 2021
Cash and cash equivalents	\$ 51	\$ 46
Accounts receivable	1,876	1,826
Promises to give	281	294
Grants receivable	139	134
Other receivables	219	220
Investments	10,479	11,234
Total financial assets available within one year	<u>\$ 13,045</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

June 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 June 30, 2022 and 2021, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was \$4 and \$5, respectively. For the six months ended June 30, 2022 and 2021, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was \$(3) and \$22, respectively. 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 six months ended June 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

June 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 six months ended June 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 June 30, 2022 and 2021 are as follows:

Three months Ended June 30, 2022				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,301	\$ 258	\$ 324	\$ 1,883
Clinic	857	209	242	1,308
Senior Care and Nursing Home	4	—	—	4
Other	15	—	—	15
Total patient care service revenue	2,177	467	566	3,210
External lab	229	—	—	229
Total medical service revenue	<u>\$ 2,406</u>	<u>\$ 467</u>	<u>\$ 566</u>	<u>\$ 3,439</u>

Timing of revenue and recognition:

At time services are rendered	\$ 1,101	\$ 209	\$ 242	\$ 1,552
Services transferred over time	1,305	258	324	1,887
Total	<u>\$ 2,406</u>	<u>\$ 467</u>	<u>\$ 566</u>	<u>\$ 3,439</u>

Three months Ended June 30, 2021				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,275	\$ 249	\$ 293	\$ 1,817
Clinic	855	202	233	1,290
Senior Care and Nursing Home	3	—	—	3
Other	13	—	—	13
Total patient care service revenue	2,146	451	526	3,123
External lab	220	—	—	220
Total medical service revenue	<u>\$ 2,366</u>	<u>\$ 451</u>	<u>\$ 526</u>	<u>\$ 3,343</u>

Timing of revenue and recognition:

At time services are rendered	\$ 1,088	\$ 202	\$ 233	\$ 1,523
Services transferred over time	1,278	249	293	1,820
Total	<u>\$ 2,366</u>	<u>\$ 451</u>	<u>\$ 526</u>	<u>\$ 3,343</u>



Notes to Unaudited Condensed Consolidated Financial Statements
June 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 six months ended June 30, 2022 and 2021 are as follows:

Six months Ended June 30, 2022				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 2,566	\$ 524	\$ 619	\$ 3,709
Clinic	1,689	419	474	2,582
Senior Care and Nursing Home	8	—	—	8
Other	30	—	—	30
Total patient care service revenue	4,293	943	1,093	6,329
External lab	456	—	—	456
Total medical service revenue	<u>\$ 4,749</u>	<u>\$ 943</u>	<u>\$ 1,093</u>	<u>\$ 6,785</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 2,175	\$ 419	\$ 474	\$ 3,068
Services transferred over time	2,574	524	619	3,717
Total	<u>\$ 4,749</u>	<u>\$ 943</u>	<u>\$ 1,093</u>	<u>\$ 6,785</u>

Six months Ended June 30, 2021				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 2,457	\$ 485	\$ 566	\$ 3,508
Clinic	1,650	395	455	2,500
Senior Care and Nursing Home	7	—	—	7
Other	25	—	—	25
Total patient care service revenue	4,139	880	1,021	6,040
External lab	452	—	—	452
Total medical service revenue	<u>\$ 4,591</u>	<u>\$ 880</u>	<u>\$ 1,021</u>	<u>\$ 6,492</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 2,127	\$ 395	\$ 455	\$ 2,977
Services transferred over time	2,464	485	566	3,515
Total	<u>\$ 4,591</u>	<u>\$ 880</u>	<u>\$ 1,021</u>	<u>\$ 6,492</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 \$259 and \$244, respectively, for the three months



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

Note 4. Medical Service Revenue (Continued)

ended June 30, 2022 and 2021 and \$508 and \$472, respectively, for the six months ended June 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 June 30 is as follows:

	2022	2021
Medicare	\$ 898	\$ 858
Medicaid	154	110
Contract	1,970	1,936
Other, including self-pay	417	439
Total	<u>\$ 3,439</u>	<u>\$ 3,343</u>

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

	2022	2021
Medicare	\$ 1,777	\$ 1,645
Medicaid	280	220
Contract	3,894	3,767
Other, including self-pay	834	860
Total	<u>\$ 6,785</u>	<u>\$ 6,492</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

June 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 six months ended June 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

June 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. Due to changes in price type, source and provider, there were \$0 and \$18 transfers out of Level 3 for the six months ended June 30, 2022 and 2021, respectively.



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

Note 6. Fair Value Measurements (Continued)

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

	June 30, 2022				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	\$ 29	\$ —	\$ —	\$ —	\$ 29
Investments:					
Cash and cash equivalents	2,117	989	—	—	3,106
Fixed income securities:					
U.S. government	—	444	—	—	444
U.S. government agencies	—	553	—	—	553
U.S. corporate	—	892	—	—	892
Foreign	—	61	—	—	61
Common and preferred stocks:					
U.S.	858	—	—	—	858
Foreign	568	—	20	—	588
Funds:					
Fixed income	307	—	—	—	307
Equities	886	605	—	—	1,491
Other investments	—	—	—	—	—
Less securities under lending agreement	(77)	—	—	—	(77)
Investments at NAV	—	—	—	8,723	8,723
Total investments	4,659	3,544	20	8,723	16,946
Investments under securities lending agreement	77	—	—	—	77
Other long-term assets:					
Trust receivables	67	26	93	—	186
Technology-based ventures	—	—	165	—	165
Total other long-term assets	67	26	258	—	351
Total assets at fair value	\$ 4,832	\$ 3,570	\$ 278	\$ 8,723	\$ 17,403
Liabilities:					
Securities lending payable	\$ 29	\$ —	\$ —	\$ —	29
Total liabilities at fair value	\$ 29	\$ —	\$ —	\$ —	\$ 29



Notes to Unaudited Condensed Consolidated Financial Statements
June 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
June 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 \$371 less and \$502 more than its carrying value at June 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 June 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)	\$ 3,703	\$ 324	Monthly to annually	30–90 days
Private partnerships (b)	5,020	1,750		
Total alternative investments	<u>\$ 8,723</u>	<u>\$ 2,074</u>		



Notes to Unaudited Condensed Consolidated Financial Statements
June 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 June 30, 2022 and December 31, 2021, the aggregate market value of securities on loan under securities lending agreements totaled \$77 and \$95, respectively, and the total value of the collateral supporting the securities is \$80 and \$98, respectively, which represents 104 percent and 103 percent of the value of the securities on loan at June 30, 2022 and December 31, 2021. The cash portion of the collateral supporting the securities as of June 30, 2022 and December 31, 2021, is \$29 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

June 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:

	June 30, 2022	December 31, 2021
Research	\$ 1,382	\$ 1,545
Education	316	358
Buildings and equipment	3	4
Charity care	13	14
Clinical	167	190
Other	1,149	1,281
Total designation for specified purpose	<u>\$ 3,030</u>	<u>\$ 3,392</u>

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

	June 30, 2022	December 31, 2021
Quasi endowments	\$ 2,850	\$ 3,218
Professional liability reserve	136	141
Other reserves	44	33
Total	<u>\$ 3,030</u>	<u>\$ 3,392</u>



Notes to Unaudited Condensed Consolidated Financial Statements
June 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:

	June 30, 2022	December 31, 2021
Subject to expenditure for specified purposes:		
Research	\$ 590	\$ 497
Education	63	46
Buildings and equipment	206	174
Charity care	32	30
Clinical	74	65
Other	43	53
Total expenditure for specified purposes	1,008	865
Subject to passage of time:		
Pledges and trusts	698	649
Endowments:		
Perpetual in nature:		
Research	1,175	1,140
Education	272	270
Charity care	14	14
Clinical	216	215
Other	36	33
Pledges and trusts	268	274
Total perpetual in nature	1,981	1,946
Subject to endowment spending policy:		
Research	768	1,028
Education	350	433
Charity care	49	59
Clinical	157	206
Other	41	50
Total subject to endowment spending policy	1,365	1,776
Total endowments	3,346	3,722
Total net assets with donor restrictions	\$ 5,052	\$ 5,236



Notes to Unaudited Condensed Consolidated Financial Statements
June 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 June 30:

	2022	2021
Research	\$ 41	\$ 32
Education	6	6
Buildings and equipment	—	51
Other	19	5
Total net assets released from donor restrictions	<u>\$ 66</u>	<u>\$ 94</u>

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

	2022	2021
Research	\$ 73	\$ 66
Education	12	11
Buildings and equipment	1	52
Other	24	13
Total net assets released from donor restrictions	<u>\$ 110</u>	<u>\$ 142</u>



Notes to Unaudited Condensed Consolidated Financial Statements
June 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 June 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	\$ 1,924	\$ 51	\$ 174	\$ 84	\$ 44	\$ 1	\$ 12	\$ 2,290
Supplies and services	912	274	68	18	10	2	22	1,306
Depreciation and amortization	128	2	17	2	5	—	—	154
Facilities	61	1	5	3	9	—	1	80
Finance & investment	39	—	4	1	1	—	3	48
Total	\$ 3,064	\$ 328	\$ 268	\$ 108	\$ 69	\$ 3	\$ 38	\$ 3,878

2021								
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 1,815	\$ 46	\$ 165	\$ 79	\$ 21	\$ 5	\$ 9	\$ 2,140
Supplies and services	750	251	58	15	—	3	4	1,081
Depreciation and amortization	129	2	16	3	3	—	—	153
Facilities	62	1	4	3	6	—	1	77
Finance & investment	36	1	4	1	1	—	(5)	38
Total	\$ 2,792	\$ 301	\$ 247	\$ 101	\$ 31	\$ 8	\$ 9	\$ 3,489



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

Note 11. Functional Expenses (Continued)

The expenses reported in the condensed consolidated statements of activities for the six months ended June 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	\$ 3,824	\$ 98	\$ 345	\$ 166	\$ 89	\$ 7	\$ 22	\$ 4,551	
Supplies and services	1,801	531	135	33	16	4	40	2,560	
Depreciation and amortization	254	4	34	5	10	—	1	308	
Facilities	124	2	9	6	18	—	1	160	
Finance & investment	77	1	9	1	1	—	(5)	84	
Total	\$ 6,080	\$ 636	\$ 532	\$ 211	\$ 134	\$ 11	\$ 59	\$ 7,663	

2021									
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses	
Salaries and benefits	\$ 3,601	\$ 92	\$ 325	\$ 159	\$ 43	\$ 7	\$ 19	\$ 4,246	
Supplies and services	1,476	506	115	27	2	3	18	2,147	
Depreciation and amortization	254	4	32	6	7	—	1	304	
Facilities	122	2	8	5	11	—	1	149	
Finance & investment	74	1	9	1	1	—	(15)	71	
Total	\$ 5,527	\$ 605	\$ 489	\$ 198	\$ 64	\$ 10	\$ 24	\$ 6,917	



Notes to Unaudited Condensed Consolidated Financial Statements
June 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 June 30 are as follows for the defined-benefit pension plans:

	Qualified	
	2022	2021
Service cost	\$ 173	\$ 172
Interest cost	92	88
Expected return on plan assets	(195)	(183)
Amortization of unrecognized:		
Prior service benefit	(12)	(12)
Net actuarial loss	56	76
Net periodic benefit cost	<u>\$ 114</u>	<u>\$ 141</u>

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

	Postretirement Benefits	
	2022	2021
Service cost	\$ 2	\$ 2
Interest cost	9	8
Amortization of unrecognized:		
Prior service benefit	1	—
Net actuarial loss	4	8
Net periodic cost	<u>\$ 16</u>	<u>\$ 18</u>

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

	Qualified	
	2022	2021
Service cost	\$ 345	\$ 345
Interest cost	185	175
Expected return on plan assets	(390)	(366)
Amortization of unrecognized:		
Prior service benefit	(25)	(25)
Net actuarial loss	113	153
Net periodic benefit cost	<u>\$ 228</u>	<u>\$ 282</u>



Notes to Unaudited Condensed Consolidated Financial Statements

June 30, 2022 (in Millions)

Note 12. Employee Benefit Programs (Continued)

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

	Postretirement Benefits	
	2022	2021
Service cost	\$ 4	\$ 4
Interest cost	17	16
Amortization of unrecognized:		
Prior service benefit	2	—
Net actuarial loss	9	16
Net periodic cost	<u>\$ 32</u>	<u>\$ 36</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 June 30, 2022, approximated \$1,904, 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 June 30, 2022, through August 11, 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 SIX-MONTH PERIOD
ENDED JUNE 30, 2022

August 2022



MAYO CLINIC: WHEN IT'S TIME TO FIND 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.

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.

Mayo Clinic ranked among 'Best Children's Hospitals' by U.S. News & World Report

Mayo Clinic Children's Center in Rochester is the No. 1 children's hospital in Minnesota, according to U.S. News & World Report's 2022-2023 "Best Children's Hospitals" rankings, announced in June.

Nationally, Mayo Clinic Children's Center ranked as a top-performing children's hospital in all 10 of the pediatric specialties considered in the rankings. The rankings identify the top 50 children's hospitals in each of 10 specialties considered. Ranking in specialties demonstrates broad-based excellence and the effectiveness of the team-based approach that is the hallmark of the Mayo Clinic Model of Care.

Mayo Clinic No. 3 in DiversityInc's 'Top Hospitals and Health Care Systems' rankings

Mayo Clinic ranked high on three specialty lists in the annual DiversityInc rankings of the "Top 50 Companies for Diversity," Announced in May. Mayo was No. 3 among "Top Hospitals and Healthcare Systems for Diversity," up from No. 4 in 2021. It also ranked among the "Top Companies for People with Disabilities," coming in at No. 16. And in a new

entry, the "Top Companies for Talent Acquisition for Women of Color," Mayo Clinic was ranked No. 1.

The results are a reflection of Mayo's progress and commitment to equity, inclusion and diversity. Mayo Clinic has long embraced diversity and inclusion, and Mayo's priorities are reflected in these institutional goals:

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

Mayo Clinic awarded highest honor for health information management

Mayo Clinic has again been recognized as one of the "Most Wired" hospital and health care organizations in the world, according to a survey by the College of Healthcare Information Management Executives. Mayo is one of only 16 health care organizations to earn Level 10 certification, the highest certification level, among the more than 36,000 facilities surveyed in 2021.

The College of Healthcare Information Management Executives is an organization that serves senior health care information technology leaders. Its "Most Wired" Governing Board conducts the annual survey to determine which organizations are at the forefront of using health care information technology to improve patient care.

Noteworthy

Construction begins on major projects in Minnesota, Wisconsin and Florida

Mayo Clinic Health System in La Crosse, Wisconsin, broke ground on Tuesday, April 12, for its new six-floor, 70-bed hospital. During a special ceremony, Mayo Clinic Health System leaders expressed gratitude for the hard work of the dedicated staff and the community's support. The groundbreaking ceremony concluded with blessings from the Franciscan Sisters of Perpetual Adoration, who founded the hospital in 1883, and Marlon WhiteEagle, president of the Ho-Chunk Nation. Mayo Clinic Health System in La Crosse sits on Indigenous land.

A month later, Mayo Clinic Health System in Mankato, Minnesota, had a groundbreaking ceremony for a \$155 million expansion that will add 121 hospital beds. The project will include a three-floor vertical expansion atop the Emergency Department, Cancer Center and Speciality Clinic foyer. A new and expanded ICU and Progressive Care Unit, a new Medical-Surgical Unit and a new Family Birth Center are among the features of the project. Like the La Crosse project, the Mankato expansion is scheduled for completion in 2024.

In August, Mayo Clinic Hospital in Florida began construction of a \$233 million integrated oncology building. The 225,000-square-foot building will include two proton beam treatment rooms, one carbon ion treatment room, two linear accelerators as well as patient imaging and exam areas. The integrated oncology building is expected to open in early 2025.

DISCUSSION OF 2022 RESULTS

For the three months ended June 30, 2022, Mayo Clinic generated net operating income of \$155 million on \$4.03 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 \$(654) million, a (16.2)% margin. For the six months ended June 30, 2022, Mayo Clinic generated net operating income of \$297 million on \$7.96 billion in revenue, a 3.7% operating margin. For the same period, decrease in net assets before other changes, including noncurrent and other items, was \$(881) million, a (11.1)% margin.

	Three Months Ended June 30,		Change from 2021	Six Months Ended June 30,		Change from 2021
(\$ In Millions):	2021	2022		2021	2022	
Revenue	\$3,940	\$4,033	2.4%	\$7,611	\$7,960	4.6%
Expenses	3,489	3,878	11.1%	6,917	7,663	10.8%
Net operating income	\$451	\$155	-65.6%	\$694	\$297	-57.2%
Noncurrent & other items	798	(809)	-201.4%	1,337	(1,178)	-188.1%
Increase (decrease) in net assets before other changes	\$1,249	(\$654)	-152.4%	\$2,031	(\$881)	-143.4%
Postretirement adj.	72	50	-30.6%	144	100	-30.6%
Increase (decrease) in net assets	\$1,321	(\$604)	-145.7%	\$2,175	(\$781)	-135.9%

REVENUE

As of June 30, 2022, quarter to date net medical service revenue of \$3.4 billion was 85.3% of total revenue and represented a 2.9% increase from prior year. Mayo Clinic's total operating revenue for the period was \$4.0 billion, reflecting a 2.4% increase over 2021. As of June 30, 2022, year to date net medical service revenue of \$6.79 billion was 85.2% of total revenue and represented a 4.5% increase from prior year. Mayo Clinic's total operating revenue for the period was \$7.96 billion, reflecting a 4.6% increase over the same period in

Q2 2022 Financial Performance Overview

2021. The increase is notable considering that during 2021, Mayo Clinic experienced limited COVID surges, pent up demand for services and limited travel by staff, whereas during 2022 Mayo Clinic is encountering workforce shortages, vacancies due to recurrent COVID transmission and restored travel for staff resulting in capacity constraints.

	Three Months Ended June 30,		Change from 2021	Six Months Ended June 30,		Change from 2021
(\$ in Millions):	2021	2022		2021	2022	
Revenue						
Net medical service revenue	\$3,343	\$3,439	2.9%	\$6,492	\$6,785	4.5%
Grants and contracts	150	169	12.7%	291	323	11.0%
Contributions	109	52	-52.3%	147	130	-11.6%
Investments	54	71	31.5%	120	143	19.2%
Other	284	302	6.3%	561	579	3.2%
Total operating revenue	\$3,940	\$4,033	2.4%	\$7,611	\$7,960	4.6%

VOLUME METRICS

Year to date clinical volumes are shown in the table below. Outpatient visits, surgeries, and patient days were higher than both 2021 and 2020, reflecting sustained strong demand for services. While hospital admissions were lower than 2021, Mayo Clinic hospitals are operating at 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.

	Six Months Ended June 30,			Change	
	2020	2021	2022	From 2021	From 2020
Outpatient Visits	1,977,970	2,364,106	2,428,033	2.7%	22.8%
Surgical Cases	56,234	68,318	69,191	1.3%	23.0%
Admissions	56,680	60,468	59,158	-2.2%	4.4%
Patient Days	296,824	328,810	353,715	7.6%	7.2%

EXPENSES

Operating expenses were \$3.88 billion for the three-month period ending June 30, 2022, which represented growth of 11.1% over the second quarter of 2021. At \$2.29 billion, salaries and benefits increased 7.0% over the prior period and comprised 59.1% of total expenses. Operating expenses were \$7.66 billion for the six-month period ending June 30, 2022, which represented year-over-year growth of 10.8%. At \$4.55 billion, salaries and

Q2 2022 Financial Performance Overview

benefits increased 7.2% over the prior period and comprised 59.4% of total expenses. Supplies and services includes contract labor, which has increased 60% compared to prior period and 87% compared to the prior year.

	Three Months Ended June 30,		Change from 2021	Six Months Ended June 30,		Change from 2021
(\$ in Millions):	2021	2022		2021	2022	
Expenses						
Salaries and benefits	\$2,140	\$2,290	7.0%	\$4,246	\$4,551	7.2%
Supplies and services	1,081	1,306	20.8%	2,147	2,560	19.2%
Facilities	230	234	1.7%	453	468	3.3%
Finance and investment	38	48	26.3%	71	84	18.3%
Total expenses	\$3,489	\$3,878	11.1%	\$6,917	\$7,663	10.8%

CASH, INVESTMENTS, AND BALANCE SHEET STRENGTH

Cash and investments totaled \$17.07 billion on June 30, 2022, a decrease of \$993 million since the end of 2021, driven largely by investment losses. Of the \$17.07 billion total, \$3.56 billion is held in working capital and short-term funds for liquidity.

As of June 30, 2022, Mayo's cash and investment position included \$12.64 billion in long-term investments that are held in its primary investment vehicle, the Long-Term Fund (LTF). The LTF is composed of \$5.93 billion of endowed funds (both donor and board-restricted) and \$6.71 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 six months of 2022, the LTF generated an (8.3)% 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 12.4%, 10.8% and 10.0% returns, respectively, over those time periods.

Core balance sheet metrics are still strong and within "AA" rating parameters although several have been impacted by declines in the value of the investment portfolio as shown in the table below.

	6/30/2021	12/31/2021	6/30/2022
Days Revenue Outstanding	49.8	48.9	49.2
Days Cash on Hand	392	403	359
Debt Service Coverage Ratio	9.6x	11.1x	7.2x
Cash to Debt	324%	368%	301%
Debt to Capitalization	31%	25%	29%

SUMMARY

At the midpoint of the 2022 fiscal year, performance results reflect the challenges facing both the healthcare industry and the nation. Workforce shortages and inflation in both, labor and non-labor costs have had an impact on the first and second quarter operating results but Mayo Clinic is well-positioned to enter the second half of 2022. These same factors reinforce future plans for revenue diversification, digitization of health care, using platform models to accelerate innovation, and investing in the treatments for complex and serious clinical care. It is through this work that Mayo Clinic continues to prove its resilience to meet the challenges that lie ahead, remaining true to its patient-centered values and transformative goals to make health care more responsive, accessible, and advanced for the benefit of patients worldwide.