



Mayo Clinic

Unaudited Condensed Consolidated Financial Reports
September 30, 2023



Mayo Clinic

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Unaudited Consolidated Financial Reports

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

	September 30, 2023 Unaudited	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	\$ 66	\$ 64
Accounts receivable for medical services	1,971	1,842
Other receivables	853	759
Other current assets	363	386
Total current assets	<u>3,253</u>	<u>3,051</u>
Investments	18,003	17,256
Other long-term assets	3,966	3,631
Property, plant, and equipment, net	6,214	5,887
Total assets	<u><u>\$ 31,436</u></u>	<u><u>\$ 29,825</u></u>
Liabilities and net assets		
Current liabilities:		
Accounts payable	\$ 689	\$ 752
Accrued payroll	1,034	849
Accrued employee benefits	176	176
Deferred revenue	71	64
Long-term variable-rate debt	760	620
Other current liabilities	643	470
Total current liabilities	<u>3,373</u>	<u>2,931</u>
Long-term debt, net of current portion	3,960	4,121
Accrued pension and postretirement benefits, net of current portion	805	819
Other long-term liabilities	2,165	2,083
Total liabilities	<u>10,303</u>	<u>9,954</u>
Net assets:		
Without donor restrictions	15,891	14,808
With donor restrictions	5,242	5,063
Total net assets	<u>21,133</u>	<u>19,871</u>
Total liabilities and net assets	<u><u>\$ 31,436</u></u>	<u><u>\$ 29,825</u></u>

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Activities Unaudited (in Millions)

	Three Months Ended September 30, 2023			Three Months Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 3,771	\$ —	\$ 3,771	\$ 3,502	\$ —	\$ 3,502
Grants and contracts	169	—	169	165	—	165
Investment return allocated to current activities	118	13	131	57	4	61
Contributions available for current activities	27	\$ 54	81	1	87	88
Other	301	—	301	301	—	301
Net assets released from restrictions	61	(61)	—	118	(118)	—
Total revenue, gains and other support	4,447	6	4,453	4,144	(27)	4,117
Expenses:						
Salaries and benefits	2,382	—	2,382	2,327	—	2,327
Supplies and services	1,470	—	1,470	1,343	—	1,343
Depreciation and amortization	162	—	162	153	—	153
Facilities	89	—	89	95	—	95
Finance and investment	48	—	48	42	—	42
Total expenses	4,151	—	4,151	3,960	—	3,960
Income (loss) from current activities	296	6	302	184	(27)	157
Noncurrent and other items:						
Contributions not available for current activities, net	(7)	42	35	(4)	9	5
Unallocated investment return, net	(112)	(20)	(132)	(474)	(123)	(597)
Income tax expense	(8)	—	(8)	(11)	—	(11)
Benefit credit	86	—	86	45	—	45
Other	24	—	24	39	—	39
Total noncurrent and other items	(17)	22	5	(405)	(114)	(519)
Increase (decrease) in net assets before other changes in net assets	279	28	307	(221)	(141)	(362)
Pension and other postretirement benefit adjustments	(12)	—	(12)	50	—	50
Increase (decrease) in net assets	267	28	295	(171)	(141)	(312)
Net assets at beginning of period	15,624	5,214	20,838	11,834	5,052	16,886
Net assets at end of period	\$ 15,891	\$ 5,242	\$ 21,133	\$ 11,663	\$ 4,911	\$ 16,574

See notes to condensed consolidated financial statements.



Condensed Consolidated Statements of Activities Unaudited (in Millions)

	Nine Months Ended September 30, 2023			Nine Months Ended September 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenue, gains and other support:						
Medical service revenue	\$ 11,194	\$ —	\$ 11,194	\$ 10,287	\$ —	\$ 10,287
Grants and contracts	510	—	510	488	—	488
Investment return allocated to current activities	361	43	404	188	16	204
Contributions available for current activities	85	\$ 135	220	35	183	218
Other	868	—	868	880	—	880
Net assets released from restrictions	176	(176)	—	228	(228)	—
Total revenue, gains and other support	13,194	2	13,196	12,106	(29)	12,077
Expenses:						
Salaries and benefits	7,242	—	7,242	6,878	—	6,878
Supplies and services	4,317	—	4,317	3,903	—	3,903
Depreciation and amortization	477	—	477	461	—	461
Facilities	265	—	265	255	—	255
Finance and investment	144	—	144	126	—	126
Total expenses	12,445	—	12,445	11,623	—	11,623
Income (loss) from current activities	749	2	751	483	(29)	454
Noncurrent and other items:						
Contributions not available for current activities, net	(12)	81	69	(18)	135	117
Unallocated investment return, net	220	96	316	(1,692)	(431)	(2,123)
Income tax expense	(25)	—	(25)	(30)	—	(30)
Benefit credit	258	—	258	133	—	133
Other	(70)	—	(70)	206	—	206
Total noncurrent and other items	371	177	548	(1,401)	(296)	(1,697)
Increase (decrease) in net assets before other changes in net assets	1,120	179	1,299	(918)	(325)	(1,243)
Pension and other postretirement benefit adjustments	(37)	—	(37)	150	—	150
Increase (decrease) in net assets	1,083	179	1,262	(768)	(325)	(1,093)
Net assets at beginning of period	14,808	5,063	19,871	12,431	5,236	17,667
Net assets at end of period	\$ 15,891	\$ 5,242	\$ 21,133	\$ 11,663	\$ 4,911	\$ 16,574

See notes to condensed consolidated financial statements



Condensed Consolidated Statements of Cash Flows
Unaudited (In Millions)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Cash from medical services	\$ 10,371	\$ 9,553
Cash from external lab services	694	684
Cash from grants and contracts	508	495
Cash from benefactors	154	223
Cash from other activities	698	827
Cash for salaries and benefits	(7,087)	(6,522)
Cash for supplies, services, and facilities	(4,484)	(4,254)
Interest and dividends received	195	118
Interest paid	(87)	(78)
Income taxes paid	(48)	(54)
Net cash provided by operating activities	914	992
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(796)	(811)
Purchases of investments	(9,380)	(6,053)
Sales and maturities from investments	9,181	5,231
Net cash used in investing activities	(995)	(1,633)
Cash flows from financing activities:		
Restricted gifts, bequests, and other	110	104
Borrowing on long-term debt	—	807
Payment of long-term debt	(21)	(231)
Payment on leases	(6)	(5)
Net cash provided by financing activities	83	675
Net increase in cash and cash equivalents	2	34
Cash and cash equivalents at beginning of period	64	46
Cash and cash equivalents at end of period	\$ 66	\$ 80

See notes to condensed consolidated financial statements.



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (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 three and nine months ended September 30, 2023 are not necessarily indicative of the results to be expected for the year ending December 31, 2023. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended December 31, 2022.

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, 2023, the Clinic adopted Financial Accounting Standards Board Accounting Standard Update (ASU) No. 2016-13, Financial Instruments - *Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. This ASU provides financial statement users with more decision-useful information about the expected credit losses on financial instruments and other documents to extend credit held by a reporting entity. The adoption of this ASU did not materially impact the condensed consolidated financial statements.



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (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 September 30, 2023 and December 31, 2022:

	September 30, 2023	December 31, 2022
Cash and cash equivalents	\$ 66	\$ 64
Accounts receivable	1,971	1,842
Promises to give	300	319
Grants receivable	144	145
Other receivables	292	295
Investments	10,938	10,495
Total financial assets available within one year	<u>\$ 13,711</u>	<u>\$ 13,160</u>

Note 4. Medical Service Revenue

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

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

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

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



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (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 and nine months ended September 30, 2023 and 2022, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was not significant. Subsequent changes that are determined to be the result of an adverse change in the patients ability to pay are recorded as bad debt expense. Bad debt expense for the three and nine months ended September 30, 2023 and 2022 was not significant.

Settlements with third-party payors for retroactive adjustments due to audits, reviews, or investigations are considered variable consideration and are included in the determination of the estimated transaction price for providing patient care. These settlements are estimated based on the terms of the payment agreement with the payor, correspondence from the payor, and the Clinic's historical settlement activity, including an assessment to ensure it is probable a significant reversal in the amount of cumulative revenue recognized will not occur when the uncertainty associated with the retroactive adjustment is subsequently resolved. Estimated settlements are adjusted in future periods as adjustments become known (that is, new information becomes available) or as years are settled or are no longer subject to such audits, reviews, and investigations. Adjustments arising from a change in the transaction price were not significant for the three and nine months ended September 30, 2023 and 2022. Receivables from



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 4. Medical Service Revenue (Continued)

third-party payors for final settlements was \$56 and \$60 for September 30, 2023 and December 31, 2022 respectively.

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, 2023 and 2022 are as follows:

Three months Ended September 30, 2023				
	Midwest	Southeast	Southwest	Total
Hospital	\$ 1,406	\$ 320	\$ 393	\$ 2,119
Clinic	900	241	250	1,391
Senior Care and Nursing Home	4	—	—	4
Other	25	—	—	25
Total patient care service revenue	2,335	561	643	3,539
External lab	232	—	—	232
Total medical service revenue	<u>\$ 2,567</u>	<u>\$ 561</u>	<u>\$ 643</u>	<u>\$ 3,771</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 1,157	\$ 241	\$ 250	\$ 1,648
Services transferred over time	1,410	320	393	2,123
Total	<u>\$ 2,567</u>	<u>\$ 561</u>	<u>\$ 643</u>	<u>\$ 3,771</u>

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



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (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, 2023 and 2022 are as follows:

	Nine months Ended September 30, 2023			
	Midwest	Southeast	Southwest	Total
Hospital	\$ 4,157	\$ 942	\$ 1,172	\$ 6,271
Clinic	2,675	710	765	4,150
Senior Care and Nursing Home	11	—	—	11
Other	69	—	—	69
Total patient care service revenue	6,912	1,652	1,937	10,501
External lab	693	—	—	693
Total medical service revenue	<u>\$ 7,605</u>	<u>\$ 1,652</u>	<u>\$ 1,937</u>	<u>\$ 11,194</u>
Timing of revenue and recognition:				
At time services are rendered	\$ 3,437	\$ 710	\$ 765	\$ 4,912
Services transferred over time	4,168	942	1,172	6,282
Total	<u>\$ 7,605</u>	<u>\$ 1,652</u>	<u>\$ 1,937</u>	<u>\$ 11,194</u>

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

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 \$293 and \$263 respectively, for the three months



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (in Millions)

Note 4. Medical Service Revenue (Continued)

ended September 30, 2023 and 2022 and \$837 and \$770, respectively, for the nine months ended September 30, 2023 and 2022. 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:

	2023	2022
Medicare	\$ 1,001	\$ 935
Medicaid	139	140
Contract	2,211	1,997
Other, including self-pay	420	430
Total	<u>\$ 3,771</u>	<u>\$ 3,502</u>

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

	2023	2022
Medicare	\$ 2,974	\$ 2,712
Medicaid	423	420
Contract	6,558	5,891
Other, including self-pay	1,239	1,264
Total	<u>\$ 11,194</u>	<u>\$ 10,287</u>

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

Financing component:

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

Note 5. Investments

Investments in equity, debt securities, and alternative investments are recorded at fair value. Realized gains and losses are calculated based on the average cost method. Investment income or loss (including realized and unrealized gains and losses on investments, interest, and dividends) are included in the condensed consolidated statements of activities.

Alternative investments (principally limited partnership interests in absolute return, hedge, private equity, real estate and natural resources funds), represents the Clinic's ownership interest in the net asset value (NAV) of the respective partnership. The investments in alternative investments may individually expose



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (in Millions)

Note 5. Investments (Continued)

the Clinic to securities lending, short sales, and trading in futures and forward contract options and other derivative products. The Clinic's risk is limited to the investment's carrying value.

From time to time, the Clinic invests directly in certain derivative contracts that do not qualify for hedge accounting and are recorded at fair value in investments. Changes in fair value are reported as a component of net unrealized gains or losses in the investment returns. These contracts are used in the Clinic's investment management program to minimize certain investment risks. For the three and nine months ended September 30, 2023 and 2022, 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. Management believes this return is approximately equal to the real return that the Clinic expects to earn on its investments over the long term. The unallocated investment return, included in noncurrent and other items in the condensed consolidated statements of activities, represents the difference between the total investment return and the amount allocated to current activities, net of investment costs.



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (in Millions)

Note 6. Fair Value Measurements

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

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

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

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

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Clinic's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers within Levels for the nine months ended September 30, 2023 and 2022.



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 6. Fair Value Measurements (Continued)

The following tables present the financial instruments carried at fair value as of September 30, 2023 and December 31, 2022, by caption on the condensed consolidated statements of financial position categorized by the valuation hierarchy and NAV:

	September 30, 2023				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	\$ 7	\$ —	\$ —	\$ —	\$ 7
Investments:					
Cash and cash equivalents	1,197	23	—	—	1,220
Fixed income securities:					
U.S. government	—	1,890	—	—	1,890
U.S. government agencies	—	842	—	—	842
U.S. corporate	—	880	—	—	880
Foreign	—	46	—	—	46
Common and preferred stocks:					
U.S.	1,099	—	—	—	1,099
Foreign	712	—	20	—	732
Funds:					
Fixed income	368	—	—	—	368
Equities	1,025	727	—	—	1,752
Less securities under lending agreement	(82)	—	—	—	(82)
Investments at NAV	—	—	—	9,174	9,174
Total investments	4,319	4,408	20	9,174	17,921
Investments under securities lending agreement	82	—	—	—	82
Other long-term assets:					
Trust receivables	64	26	112	—	202
Technology-based ventures	—	—	122	—	122
Total other long-term assets	64	26	234	—	324
Total assets at fair value	\$ 4,472	\$ 4,434	\$ 254	\$ 9,174	\$ 18,334
Liabilities:					
Securities lending payable	\$ 7	\$ —	\$ —	\$ —	7
Total liabilities at fair value	\$ 7	\$ —	\$ —	\$ —	7



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 6. Fair Value Measurements (Continued)

	December 31, 2022				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	\$ 3	\$ —	\$ —	\$ —	\$ 3
Investments:					
Cash and cash equivalents	1,258	72	—	—	1,330
Fixed-income securities:					
U.S. government	—	1,956	—	—	1,956
U.S. government agencies	—	711	—	—	711
U.S. corporate	—	836	—	—	836
Foreign	—	58	—	—	58
Common and preferred stocks:					
U.S.	942	—	—	—	942
Foreign	646	—	20	—	666
Funds:					
Fixed income	327	—	—	—	327
Equities	1,049	662	—	—	1,711
Less securities under lending agreement	(68)	—	—	—	(68)
Investments at NAV	—	—	—	8,719	8,719
Total investments	4,154	4,295	20	8,719	17,188
Investments under securities lending agreement	68	—	—	—	68
Other long-term assets:					
Trust receivables	65	27	112	—	204
Technology-based ventures	—	—	176	—	176
Total other long-term assets	65	27	288	—	380
Total assets at fair value	\$ 4,290	\$ 4,322	\$ 308	\$ 8,719	\$ 17,639
Liabilities:					
Securities lending payable	\$ 3	\$ —	\$ —	\$ —	3
Total liabilities at fair value	\$ 3	\$ —	\$ —	\$ —	\$ 3



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (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 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, 2023, 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)	\$ 4,068	\$ 306	Monthly to annually	30–90 days
Private partnerships (b)	5,106	1,903		
Total alternative investments	<u>\$ 9,174</u>	<u>\$ 2,209</u>		



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 6. Fair Value Measurements (Continued)

At December 31, 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)	\$ 3,705	\$ 194	Monthly to annually	30–90 days
Private partnerships (b)	5,014	1,744		
Total alternative investments	<u>\$ 8,719</u>	<u>\$ 1,938</u>		

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

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

Note 7. Securities Lending

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

At September 30, 2023 and December 31, 2022, the aggregate market value of securities on loan under securities lending agreements totaled \$82 and \$68, respectively, and the total value of the collateral supporting the securities was \$85 and \$70, respectively, which represents 104 percent and 103 percent, respectively, of the value of the securities on loan at September 30, 2023 and December 31, 2022. The cash portion of the collateral supporting the securities as of September 30, 2023 and December 31, 2022, is \$7 and \$3, respectively. Noncash collateral provided to the Clinic is not recorded in the condensed consolidated statements of financial position, as the collateral may not be sold or repledged. The Clinic’s claim on such collateral is limited to the market value of loaned securities. In the event of nonperformance by the other parties to the securities lending agreements, the Clinic could be exposed to a loss.



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 8. Board-Designated Funds

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

	September 30, 2023	December 31, 2022
Research	\$ 1,380	\$ 1,365
Education	312	312
Buildings and equipment	3	3
Charity care	12	12
Clinical	160	162
Other	1,177	1,124
Total designation for specified purpose	<u>\$ 3,044</u>	<u>\$ 2,978</u>

Board designated funds were classified as follows at:

	September 30, 2023	December 31, 2022
Quasi endowments	\$ 2,839	\$ 2,830
Professional liability reserve	173	119
Other reserves	32	29
Total	<u>\$ 3,044</u>	<u>\$ 2,978</u>



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 9. Net Assets with Donor Restrictions

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

	September 30, 2023	December 31, 2022
Subject to expenditure for specified purposes:		
Research	\$ 649	\$ 582
Education	65	59
Buildings and equipment	325	245
Charity care	31	30
Clinical	88	74
Other	42	30
Total expenditure for specified purposes	1,200	1,020
Subject to passage of time:		
Pledges and trusts	620	642
Endowments:		
Perpetual in nature:		
Research	1,250	1,233
Education	308	304
Charity care	14	14
Clinical	223	222
Other	34	31
Pledges and trusts	275	270
Total perpetual in nature	2,104	2,074
Subject to endowment spending policy:		
Research	737	745
Education	341	342
Charity care	49	48
Clinical	151	152
Other	40	40
Total subject to endowment spending policy	1,318	1,327
Total endowments	3,422	3,401
Total net assets with donor restrictions	\$ 5,242	\$ 5,063



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 9. Net Assets with Donor Restrictions (Continued)

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

	2023	2022
Research	\$ 46	\$ 40
Education	10	8
Buildings and equipment	—	10
Other	5	60
Total net assets released from donor restrictions	<u>\$ 61</u>	<u>\$ 118</u>

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

	2023	2022
Research	\$ 128	\$ 113
Education	22	20
Buildings and equipment	6	11
Other	20	84
Total net assets released from donor restrictions	<u>\$ 176</u>	<u>\$ 228</u>



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (in Millions)

Note 10. Functional Expenses

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

The expenses reported in the condensed consolidated statements of activities for the three months ended September 30, 2023 and 2022, supported the following programs and functions:

2023								
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 1,982	\$ 46	\$ 181	\$ 96	\$ 59	\$ 5	\$ 13	\$ 2,382
Supplies and services	1,058	284	63	24	12	2	27	1,470
Depreciation and amortization	134	2	18	4	3	—	1	162
Facilities	73	1	4	4	6	—	1	89
Finance & investment	43	3	5	—	—	—	(3)	48
Total	\$ 3,290	\$ 336	\$ 271	\$ 128	\$ 80	\$ 7	\$ 39	\$ 4,151

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



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 10. Functional Expenses (Continued)

The expenses reported in the condensed consolidated statements of activities for the nine months ended September 30, 2023 and 2022, supported the following programs and functions.

	2023							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	\$ 5,992	\$ 139	\$ 557	\$ 290	\$ 200	\$ 22	\$ 42	\$ 7,242
Supplies and services	3,075	842	217	70	23	9	81	4,317
Depreciation and amortization	395	5	52	10	11	1	3	477
Facilities	211	4	14	11	23	—	2	265
Finance & investment	127	8	15	1	1	—	(8)	144
Total	\$ 9,800	\$ 998	\$ 855	\$ 382	\$ 258	\$ 32	\$ 120	\$ 12,445

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

Note 11. Employee Benefit Programs

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

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

	Qualified	
	2023	2022
Service cost	\$ 96	\$ 172
Interest cost	109	92
Expected return on plan assets	(195)	(195)
Amortization of unrecognized:		
Prior service benefit	(12)	(13)
Net actuarial loss	—	57
Net periodic benefit cost	\$ (2)	\$ 113



Notes to Unaudited Condensed Consolidated Financial Statements
September 30, 2023 (in Millions)

Note 11. Employee Benefit Programs (Continued)

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

	Postretirement Benefits	
	2023	2022
Service cost	\$ 1	\$ 2
Interest cost	12	8
Amortization of unrecognized:		
Prior service benefit	—	1
Net actuarial loss	—	6
Net periodic cost	<u>\$ 13</u>	<u>\$ 17</u>

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

	Qualified	
	2023	2022
Service cost	\$ 287	\$ 517
Interest cost	327	277
Expected return on plan assets	(584)	(585)
Amortization of unrecognized:		
Prior service benefit	(37)	(38)
Net actuarial loss	—	170
Net periodic benefit cost	<u>\$ (7)</u>	<u>\$ 341</u>

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

	Postretirement Benefits	
	2023	2022
Service cost	\$ 3	\$ 6
Interest cost	36	25
Amortization of unrecognized:		
Prior service benefit	1	3
Net actuarial (gain) loss	(1)	15
Net periodic cost	<u>\$ 39</u>	<u>\$ 49</u>



Notes to Unaudited Condensed Consolidated Financial Statements

September 30, 2023 (in Millions)

Note 12. Commitments and Contingencies

The Clinic has various construction projects in progress related to patient care, research, and educational facilities. The estimated costs committed to complete the various projects at September 30, 2023, approximated \$1,519, 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 13. Subsequent Events

The Clinic evaluated events and transactions occurring subsequent to September 30, 2023, through November 10, 2023, the date of issuance of the condensed consolidated financial statements. During this period, there were no subsequent events requiring recognition in the condensed consolidated financial statements. Additionally, there were no nonrecognized subsequent events requiring disclosure.



MANAGEMENT DISCUSSION AND ANALYSIS

FOR THE NINE-MONTH PERIOD
ENDED SEPTEMBER 30, 2023

November 2023

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

A GLOBAL DESTINATION FOR HOPE AND HEALING

Every year, more than 1 million people from every U.S. state and nearly 130 countries come to Mayo Clinic for care. Every day, Mayo Clinic staff members 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. Mayo Clinic's 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's staff is among the best in the world. Mayo Clinic continues to be on U.S. News & World Report's rankings of "Best Hospitals" for 2023-24, and Mayo Clinic in Arizona, Florida and Rochester all ranked No. 1 in their respective states.

ABOUT MAYO CLINIC

With \$17 billion in annual revenues and more than 78,000 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, Minnesota; Phoenix and Scottsdale, Arizona; and Jacksonville, Florida. Mayo Clinic Health System has dozens of locations in Minnesota, Wisconsin and Iowa.

Mayo Clinic was founded in 1864 when Dr. William Worrall Mayo set up a medical practice in Rochester. 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 others to develop the integrated group practice, education and research model that is core to Mayo Clinic's mission.

2023: CONTINUING EXCELLENCE

Recognition and Awards

Mayo Clinic earns top U.S. News rankings, continuing to set the standard as the best hospital in the nation

Mayo Clinic is top-ranked in more specialties than any other hospital and has been recognized as an Honor Roll member, according to U.S. News & World Report's 2023-2024 "Best Hospitals" rankings. The rankings were published on the U.S. News & World Report website in August.

Although U.S. News no longer numerically ranks hospitals on the Honor Roll, it will continue to publish a list of the nation's best hospitals. Mayo Clinic in Rochester has been on this list since it was first published in 1990 and ranked No. 1 in the nation for eight consecutive years. Hospitals are measured on factors such as patient experience, nurse staffing, advanced technology, patient services and reputation with other specialists.

U.S. News continues to rank hospitals regionally within states and major metro areas. Mayo Clinic again ranks No. 1 in Minnesota, Arizona and Florida and is the top hospital in the Phoenix and Jacksonville metro areas. In addition, Mayo Clinic Health System in Eau Claire, Wisconsin, has been recognized as a "Best Regional Hospital" in Northwestern Wisconsin.

Mayo hospitals again earn star ratings for quality from Medicare & Medicaid Services

Mayo Clinic hospitals across the organization received star ratings from the Centers for Medicare & Medicaid Services.

The ratings for overall hospital quality — part of the Hospital Consumer Assessment of Healthcare Providers and Systems — provide patients with information on several aspects of quality. The star ratings measure five broad categories: mortality, safety of care, readmission, patient experience, and timely and effective care.

Across Mayo Clinic, 10 hospitals received star ratings for overall hospital quality. Nine of the 10 hospitals achieved five stars — the best score possible — and one hospital received four stars. The national average is three stars.

The star rating provides patients with information about multiple dimensions of quality in a single score. Star ratings are assigned based on a hospital's composite score of 51 quality metrics from inpatient and outpatient quality reporting programs.

Mayo Clinic Hospital — Rochester achieves Gold Seal of Approval from The Joint Commission

Mayo Clinic Hospital — Rochester has been awarded The Joint Commission's Gold Seal of Approval. Achieving The Joint Commission accreditation demonstrates an organization's commitment to continuous improvement in patient care.

Mayo Clinic ranked No. 1 on Newsweek's 'World's Best Smart Hospitals 2024'

Mayo Clinic is ranked No. 1 in the world by Newsweek in its list of the "World's Best Hospitals." For the third year, Newsweek named Mayo Clinic No. 1 in its list of the "World's Best Smart Hospitals 2024." This list awards 330 hospitals in the field of smart technologies from 28 countries that stand out for their use of electronic functionalities, telemedicine, digital imaging, artificial intelligence and robotics.

Mayo Clinic recognized as a 2023 Leading Disability Employer

Mayo Clinic has been recognized with the Leading Disability Employer Seal by the National Organization on Disability. The Leading Disability Employer Seal is given to companies demonstrating positive outcomes in recruiting, hiring, retaining and advancing people with disabilities in their workforces. This is the sixth consecutive year Mayo Clinic has earned this distinction.

Mayo Clinic receives Above and Beyond Award for support of Guard and Reserve

Mayo Clinic was one of 10 Minnesota employers recently honored by Employee Support of the Guard and Reserve, or ESGR, for going above and beyond in supporting military families.

The organization sponsors an awards program designed to recognize employers for employment policies and practices that support their employees' participation in the National Guard and Reserve. All employer recognition and awards originate from nominations by individual Reserve Component members.

Noteworthy

Mayo Clinic study confirms reliability of 10-year risk prediction of heart disease tool

Mayo Clinic researchers used retrospective research from more than 30,000 patients enrolled in the Rochester Epidemiology Project to test the Pooled Cohort Equation (PCE). The PCE is a shared decision-making tool for patients and physicians to measure a person's 10-year risk of developing clogged arteries and guide heart attack and stroke prevention efforts.

The study reveals that PCE is reliable and valuable in assessing cardiovascular risk, regardless of statin use to reduce cholesterol. "The study shows that this tool is reliable, not only in light of new cholesterol-lowering drugs, but for patients who previously were not evaluated with the PCE. By including patients with values outside the accepted range, I think we can calculate the risk for heart attacks in another 20% to 25% of patients, which is not small," says Francisco Lopez-Jimenez, M.D., senior study author and Mayo Clinic cardiologist.

Mayo Clinic Platform president featured in Washington Post column: 'The AI revolution in healthcare is already here'

John Halamka, M.D., president of Mayo Clinic Platform, was featured in an interview with Washington Post columnist Leana Wen on the positive applications of AI in healthcare. Wen highlighted how predictive AI can augment diagnoses and detection and scale resources. Dr. Halamka comments, "It's not AI replacing a doctor, but AI augmenting a doctor to provide additional insight ... we'll be able to see more patients across more geographies."

Dr. Halamka also urges federal oversight with AI's use in medicine. Similar to the Food and Drug Administration vetting new medications, there should be a process to independently validate algorithms and share results publicly, according to Dr. Halamka. He and Mayo Clinic are also championing efforts to prevent the perpetuation of existing biases in healthcare in AI applications.

Mayo Clinic in Florida opens downtown Jacksonville site focused on education, research

The Community Health Collaborative, part of Mayo Clinic in Florida, opened in September. The office aims to understand the healthcare needs of Jacksonville residents and share health education and biomedical research that supports their needs.

While Mayo Clinic will not provide healthcare at this location, residents can receive community health education and participate in clinical trials. Community members can also collaborate with Mayo researchers through the Community Scientist Program by providing

Q3 2023 Financial Performance Overview

input on study designs, reviewing study recruitment materials for cultural appropriateness and giving community presentations to advocate for research.

DISCUSSION OF 2023 RESULTS

For the three months ended September 30, 2023, Mayo Clinic generated a net operating income of \$302 million on \$4.45 billion in revenue, a 6.8% operating margin. For the same period, increase in net assets before other changes, including noncurrent and other items, was \$307 million, a 6.9% margin. For the nine months ended September 30, 2023, Mayo Clinic generated net operating income of \$751 million on \$13.20 billion in revenue, a 5.7% operating margin. For the same period, increase in net assets before other changes, including noncurrent and other items, was \$1.30 billion, a 9.8% margin.

	Three Months Ended Sept 30,		Change from 2022	Nine Months Ended Sept 30,		Change from 2022
(\$ In Millions):	2022	2023		2022	2023	
Revenue	\$4,117	\$4,453	8.2%	\$12,077	\$13,196	9.3%
Expenses	3,960	4,151	4.8%	11,623	12,445	7.1%
Net operating income	\$157	\$302	92.4%	\$454	\$751	65.4%
Noncurrent & other items	(519)	5	101.0%	(1,697)	548	132.3%
Increase (decrease) in net assets before other changes	\$(362)	\$307	184.8%	\$(1,243)	\$1,299	204.5%
Postretirement adj.	50	(12)	-124.0%	150	(37)	-124.7%
Increase (decrease) in net assets	(\$312)	\$295	194.6%	(\$1,093)	\$1,262	215.5%

REVENUE

As of September 30, 2023, quarter to date net medical service revenue of \$3.77 billion was 84.7% of total revenue and represented a 7.7% increase from prior year. Mayo Clinic's total operating revenue for the period was \$4.45 billion, reflecting an 8.2% increase over 2022. As of September 30, 2023, year to date net medical service revenue of \$11.19 billion was 84.8% of total revenue and represented an 8.8% increase from prior year. Mayo Clinic's total operating revenue for the period was \$13.20 billion, reflecting a 9.3% increase over the same period in 2022.

Q3 2023 Financial Performance Overview

	Three Months Ended Sept 30,		Change from 2022	Nine Months Ended Sept 30,		Change from 2022
(\$ in Millions):	2022	2023		2022	2023	
Revenue						
Net medical service revenue	\$3,502	\$3,771	7.7%	\$10,287	\$11,194	8.8%
Grants and contracts	165	169	2.4%	488	510	4.5%
Contributions	88	81	-8.0%	218	220	0.9%
Investments	61	131	114.8%	204	404	98.0%
Other	301	301	0.0%	880	868	-1.4%
Total operating revenue	\$4,117	\$4,453	8.2%	\$12,077	\$13,196	9.3%

VOLUME METRICS

Year to date clinical volumes are shown in the table below. Outpatient visits and surgeries were higher than both 2022 and 2021, with admissions and patient days remaining relatively flat, reflecting sustained strong demand for services.

	Nine Months Ended Sept 30,			Change	
	2021	2022	2023	From 2022	From 2021
Outpatient Visits	3,608,075	3,650,604	3,890,837	6.6%	7.8%
Surgical Cases	102,017	104,692	111,972	7.0%	9.8%
Admissions	92,054	88,605	91,291	3.0%	-0.8%
Patient Days	508,694	530,720	527,147	-0.7%	3.6%

EXPENSES

Operating expenses were \$4.15 billion for the three-month period ending September 30, 2023, which represented growth of 4.8% over the third quarter of 2022. At \$2.38 billion, salaries and benefits increased 2.4% over the prior period and comprised 57.4% of total expenses. Operating expenses were \$12.45 billion for the nine-month period ending September 30, 2023, which represented year-over-year growth of 7.1%. At \$7.24 billion, salaries and benefits increased 5.3% over the prior period and comprised 58.2% of total expenses. The increase in salaries and benefits is due to planned salary increases as well as an increase in overall FTEs in consultant staff and allied health employees as recruitment continues to make progress.

Q3 2023 Financial Performance Overview

	Three Months Ended Sept 30,		Change from 2022	Nine Months Ended Sept 30,		Change from 2022
(\$ in Millions):	2022	2023		2022	2023	
Expenses						
Salaries and benefits	\$2,327	\$2,382	2.4%	\$6,878	\$7,242	5.3%
Supplies and services	1,343	1,470	9.5%	3,903	4,317	10.6%
Facilities	248	251	1.2%	716	742	3.6%
Finance and investment	42	48	14.3%	126	144	14.3%
Total expenses	\$3,960	\$4,151	4.8%	\$11,623	\$12,445	7.1%

CASH, INVESTMENTS AND BALANCE SHEET STRENGTH

Cash and investments totaled \$18.07 billion as of September 30, 2023, an increase of \$749 million since the end of 2022, driven largely by investment gains. Of the \$18.07 billion total, \$3.55 billion is held for liquidity in working capital and short-term funds.

As of September 30, 2023, Mayo's cash and investment position included \$13.35 billion in long-term investments that are held in its primary investment vehicle, the Long-Term Fund (LTF). The LTF is composed of \$5.99 billion of endowed funds (both donor and board-restricted) and \$7.36 billion of unrestricted reserves. Investment earnings on Mayo's endowed funds are a key source of support for its research and education programs.

As of September 30, 2023, the LTF generated a (0.2)% loss for the quarter and a 4.3% return year to date. On a three-year, five-year, and 10-year basis, the LTF's investment returns continue to meet investment objectives and exceed benchmark performance, with 9.6%, 8.6% and 8.6% returns, respectively, over those time periods.

Capital expenditures have totaled \$792 million year to date, of which \$282 million, or 36%, was spent in the third quarter. September year to date is comprised of \$366 million in major projects, \$269 million in equipment, and \$157 million in other projects. Major project spending included bed tower modernization and expansions in Mankato, Minnesota, and La Crosse, Wisconsin; the Arizona Forward campus expansion; the Florida Integrated Oncology facility, hospital expansion and central utility plant; the Anna-Maria and Stephen Kellen Building in Rochester; the Arizona Research and Education building; and Rochester Proton Beam expansion.

Q3 2023 Financial Performance Overview

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

	9/30/2022	12/31/2022	9/30/2023
Days Revenue Outstanding	48.4	46.9	46.7
Days Cash on Hand	377	352	349
Max Debt Service Coverage Ratio	6.8x	5.9x	6.8x
Cash to Debt	300%	307%	321%
Debt to Capitalization	29%	24%	23%

SUMMARY

Mayo Clinic's third quarter performance is the result of continued strong demand for clinical services, stabilization of workforce issues and focused performance improvement initiatives. Significant investments in new capacity continue, as do investments in strategic areas of digital transformation and technology. Mayo Clinic enters the last quarter of 2023 and prepares for the coming year with momentum to support and advance the elements of its plan to Cure, Connect and Transform healthcare.