Mayo Clinic

Consolidated Financial Report
Years Ended December 31, 2023 and 2022

MAYO CLINIC

Mayo Clinic

Contents

Ernst & Young LLP
Suite 500
700 Nicollet Mall
Minneapolis, MN 55402

Tel: +1 612 343 1000
ey.com

Report of Independent Auditors

The Board of Trustees
Mayo Clinic

Opinion

We have audited the consolidated financial statements of Mayo Clinic ("the Clinic"), which comprise the consolidated statements of financial position as of December 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Clinic at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Clinic and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinic's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Clinic’s internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinic’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Information

Management is responsible for the other information. The other information comprises the Management Discussion and Analysis but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Ernst & Young LLP

February 16, 2024

Consolidated Statements of Financial Position
December 31, 2023 and 2022 (In Millions)

	2023	2022
Assets		
Current assets:		
Cash and cash equivalents	$ 80	$ 64
Accounts receivable for medical services	1,976	1,842
Other receivables	787	759
Other current assets	391	386
Total current assets	3,234	3,051
Investments	18,834	17,256
Other long-term assets	3,428	3,631
Property, plant, and equipment, net	6,431	5,887
Total assets	$ 31,927	$ 29,825
Liabilities and net assets		
Current liabilities:		
Accounts payable	$ 847	$ 752
Accrued payroll	873	849
Accrued employee benefits	181	176
Deferred revenue	65	64
Long-term variable-rate debt	620	620
Other current liabilities	491	470
Total current liabilities	3,077	2,931
Long-term debt, net of current portion	4,098	4,121
Accrued pension and postretirement benefits, net of current portion	813	819
Other long-term liabilities	2,303	2,083
Total liabilities	10,291	9,954
Net assets:		
Without donor restrictions	16,240	14,808
With donor restrictions	5,396	5,063
Total net assets	21,636	19,871
Total liabilities and net assets	$ 31,927	$ 29,825

See notes to consolidated financial statements.

MAYO CLINIC

Consolidated Statements of Activities
Years Ended December 31, 2023 and 2022 (In Millions)

	2023			2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Revenue, gains, and other support:						
Medical service revenue	$ 15,077	$ —	$ 15,077	$ 13,781	$ —	$ 13,781
Grants and contracts	703	—	703	666	—	666
Investment return allocated to current activities	479	57	536	250	23	273
Contributions available for current activities	127	301	428	75	268	343
Other	1,200	—	1,200	1,227	—	1,227
Net assets released from restrictions	442	(442)	—	337	(337)	—
Total revenue, gains, and other support	18,028	(84)	17,944	16,336	(46)	16,290
Expenses:						
Salaries and benefits	9,667	—	9,667	9,170	—	9,170
Supplies and services	5,950	—	5,950	5,377	—	5,377
Depreciation and amortization	663	—	663	624	—	624
Facilities	388	—	388	350	—	350
Finance and investment	192	—	192	174	—	174
Total expenses	16,860	—	16,860	15,695	—	15,695
Income (loss) from current activities	1,168	(84)	1,084	641	(46)	595
Noncurrent and other items:						
Contributions not available for current activities, net	(17)	190	173	(22)	230	208
Unallocated investment return, net	788	227	1,015	(1,382)	(357)	(1,739)
Income tax expense	(41)	—	(41)	(23)	—	(23)
Benefit credit	344	—	344	175	—	175
Other	(162)	—	(162)	129	—	129
Total noncurrent and other items	912	417	1,329	(1,123)	(127)	(1,250)
Increase (decrease) in net assets before other changes in net assets	2,080	333	2,413	(482)	(173)	(655)
Pension and other postretirement benefit adjustments	(648)	—	(648)	2,859	—	2,859
Increase (decrease) in net assets	1,432	333	1,765	2,377	(173)	2,204
Net assets at beginning of year	14,808	5,063	19,871	12,431	5,236	17,667
Net assets at end of year	$ 16,240	$ 5,396	$ 21,636	$ 14,808	$ 5,063	$ 19,871

See notes to consolidated financial statements.

MAYO CLINIC

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022 (In Millions)

	2023	2022
Cash flows from operating activities:		
Cash from medical services	$ 14,016	$ 12,827
Cash from external lab services	927	938
Cash from grants and contracts	671	658
Cash from benefactors	373	345
Cash from other activities	1,051	1,140
Cash for salaries and benefits	(9,576)	(8,822)
Cash for supplies, services, and facilities	(6,212)	(5,798)
Interest and dividends received	303	196
Interest paid	(173)	(144)
Income taxes paid	(62)	(33)
Net cash provided by operating activities	**1,318**	1,307
Cash flows from investing activities:		
Purchase of property, plant, and equipment	(1,164)	(1,177)
Purchases of investments	(13,766)	(7,711)
Sales and maturities from investments	13,467	6,838
Investment in unconsolidated entities	(9)	(10)
Net cash used in investing activities	**(1,472)**	(2,060)
Cash flows from financing activities:		
Restricted gifts, bequests, and other	213	208
Borrowing on long-term debt	—	807
Payment of long-term debt	(36)	(237)
Payment on leases	(7)	(7)
Net cash provided by financing activities	**170**	771
Net increase (decrease) in cash and cash equivalents	**16**	18
Cash and cash equivalents at beginning of year	64	46
Cash and cash equivalents at end of year	$ 80	$ 64

See notes to consolidated financial statements.

Note 1. Organization and Summary of Significant Accounting Policies

Organization: Mayo Clinic and its Arizona, Florida, Iowa, Minnesota, Wisconsin and international affiliates (the Clinic) provide comprehensive medical care and education in clinical medicine and medical sciences and conduct extensive programs in medical research. The Clinic also provides hospital and outpatient services, and at each major location, the clinical practice is closely integrated with advanced education and research programs. The Clinic and most of its subsidiaries have been determined to qualify as tax-exempt organizations under Section 501(c)(3) of the Internal Revenue Code (the Code) and as a public charity under Section 509(a)(2) of the Code.

Basis of presentation: Included in the Clinic's consolidated financial statements are all of its wholly owned or wholly controlled subsidiaries. All significant intercompany transactions have been eliminated in consolidation. In addition, these statements follow generally accepted accounting principles applicable to the not-for-profit industry as described in the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) *Topic 958, Not-for Profit Entiti*es.

Use of estimates: The preparation of financial statements in conformity with U.S. generally accepted accounting principles (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. Actual results could differ from those estimates.

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 consolidated financial statements.

Cash and cash equivalents: Cash and cash equivalents include currency on hand, demand deposits with banks or other financial institutions, and short-term investments with maturities of three months or less from the date of purchase, which are not managed by the Clinic's investment managers.

Accounts receivable for medical services: Accounts receivable for medical services are based upon the estimated amounts expected to be paid from patients and third-party payors.

Inventories: Inventories, consisting primarily of medical supplies and pharmaceuticals, are stated at the lower of cost or net realizable value.

Investments: Investments in equity and debt securities, including alternative investments, are recorded at fair value (Notes 4 and 6). Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. 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) is included in the consolidated statements of activities.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Alternative investments (principally limited partnership interests in absolute return, hedge, private equity, real estate and natural resources funds) represent the Clinic's ownership interest in the respective partnership, which is valued at fair value based on net asset value (NAV) obtained from fund manager statements and historically audited financial statements. 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.

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

Property, plant, and equipment: Property, plant, and equipment are carried at cost if purchased or at fair value on the date received through affiliation or donation, less accumulated depreciation. Plant and equipment are depreciated over their estimated useful lives, ranging from three to fifty years using the straight-line method. Depreciation expense includes amortization of assets recorded under capital leases.

Costs associated with the development and installation of internal-use software are accounted for in accordance with *Intangibles—Goodwill and Other, Internal-Use Software (Subtopic 350-40)* of the FASB ASC. Accordingly, internal-use software costs are expensed or capitalized and amortized according to the provisions of the accounting standard.

Leases: The Clinic determines if an arrangement is a lease at inception. Operating leases are included in other long-term assets, other current liabilities, and other long-term liabilities in the consolidated statements of financial position. Finance leases are included in property, plant, and equipment, other current liabilities, and other long-term liabilities in the consolidated statements of financial position.

Right-of-use (ROU) assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the commencement date, based on the present value of lease payments over the lease term. As most of the leases do not provide an implicit rate, the Clinic uses an incremental borrowing rate based on the information available at the commencement date in determining the present value of lease payments. The implicit rate is used when readily determinable. The ROU asset also includes any lease payments made and excludes lease incentives. The lease term may include options to extend or terminate the lease when it is reasonably certain the Clinic will exercise the option.

The Clinic defines a short-term lease as any lease arrangement with a lease term of twelve months or less that does not include an option to purchase the underlying asset. Short-term lease payments are recognized as expense on a straight-line basis over the lease term and variable lease payments in the period in which the obligation is incurred.

The Clinic has lease arrangements with lease and non-lease components, which are generally accounted for separately, except the Clinic has elected the practical expedient to not separate non-lease components for real estate leases. Additionally, for certain equipment leases, the Clinic applies a portfolio approach to effectively account for the ROU assets and liabilities.

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

Deferred revenue: Deferred revenue consists of payments received in advance for grant, subscription, and tuition revenue. Deferred revenues are subsequently recognized as revenue in accordance with the Clinic's revenue recognition policies.

Deferred compensation: The Clinic offers eligible employees a nonqualified, tax-deferred compensation retirement plan. Employees defer compensation into the plan on a pretax basis. The compensation deferred under this plan is credited with earnings and losses as determined by the rate of return on investments selected by the plan participants. Each participant is fully vested in all deferred compensation and those earnings credited to their individual accounts. The amounts deferred under this plan is an unsecured obligation of the Clinic. The balances are reflected in investments and other long-term liabilities in the consolidated statements of financial position. The related investment return is reported in unallocated investment return, net, with a corresponding gain/loss representing benefit expense/income reported in the other - noncurrent section of the consolidated statements of activities.

Asset retirement obligations: The Clinic accounts for the estimated cost of legal obligations associated with long-lived asset retirements in accordance with *Asset Retirement and Environmental Obligations (Topic 410)* of the FASB ASC. The asset retirement liability, recorded in other long-term liabilities, is accreted to the present value of the estimated future costs of these obligations at the end of each period.

Net assets: Net assets, revenues, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net Assets Without Donor Restrictions - Net assets available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net Assets With Donor Restrictions - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Gifts of long-lived assets and gifts of cash restricted for the acquisition on long-lived assets are recognized as revenue when received. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

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.

Grants and contracts: Reciprocal grants and contracts revenue is recognized when the expenses have been incurred for the purpose specified by the grantor or in accordance with the terms of the agreement. Contributed grants and contracts revenue is recorded as conditions are met or immediately if deemed an unconditional contribution. Grant and contract amounts due to the Clinic are included in other receivables.

Charity and uncompensated care: The Clinic provides health care services to patients who meet certain criteria under its Charity Care Policy without charge or at amounts less than established rates. Since the Clinic does not pursue collection of these amounts, they are not reported as revenue. The estimated cost of providing these services was $58 and $54 in 2023 and 2022, respectively, calculated by multiplying the ratio of cost to gross charges for the Clinic by the gross uncompensated charges associated with providing care to charity patients. In addition to the charges related to the direct patient care provided under the Clinic's Charity Care Policy, the Clinic has programs offered to benefit the broader community and other governmental reimbursement programs. The Clinic also participates in

Note 1. Organization and Summary of Significant Accounting Policies (Continued)

various state Medicaid programs for indigent patients. The estimated unreimbursed cost of providing services related to Medicaid programs totaled $624 and $613 in 2023 and 2022, respectively.

Contributions: The Clinic classifies contributions that are available for current activities as revenue, based on the lack of specific donor restriction or the presence of donor restrictions and the ability of the Clinic to meet those restrictions within the year. Contributions of a perpetual nature or not available for current activities are classified in noncurrent and other items in the consolidated statements of activities. Development expenses of $59 ($42 allocated to current and $17 allocated to noncurrent) and $54 ($32 allocated to current and $22 allocated to noncurrent) were incurred in 2023 and 2022, respectively. The current portion is recorded in expenses, and the noncurrent portion is netted against contributions not available for current activities in the consolidated statements of activities. Unconditional promises to give and contributions are reported at fair value at the time of the gift. An allowance for uncollectible pledges receivable is estimated, based on a combination of historical experience and specific identification. Conditional promises to give are recognized at fair value when the barriers to entitlement are overcome or the possibility that a condition will not be met is remote.

The Clinic periodically receives works of art from various benefactors. These items are unique in nature and are held on display for the benefit and enjoyment of the Clinic's patients. It is the Clinic's policy to neither capitalize contributed works of art nor record the related contribution revenue.

Income from current activities: The Clinic's policy is to include in income from current activities all medical service and other revenue, grants and contracts, investment return allocated to current activities, contributions available for current activities, net assets released from restrictions, and substantially all expenses. Contributions not available for current activities, unallocated investment return, income tax expense, benefit credit, and those items not expected to recur on a regular basis are included in noncurrent and other items in the consolidated statements of activities.

Noncontrolling interest in subsidiaries: The Clinic attributed income of $6 and $33 for the years ended December 31, 2023 and 2022, respectively, to noncontrolling interests based on the ownership percentage of the noncontrolling interests in certain of the Clinic's consolidated subsidiaries. These amounts are recognized in net assets without donor restrictions on the consolidated statements of financial position. The balance in net assets without donor restrictions as of December 31, 2023 and 2022 was $68.

Subsequent events: The Clinic evaluated events and transactions occurring subsequent to December 31, 2023 through February 16, 2024, the date of issuance of the consolidated financial statements. During this period, there were no subsequent events requiring recognition in the consolidated financial statements. Additionally, there were no unrecognized events requiring disclosure except as disclosed in Note 5.

Notes to Consolidated Financial Statements (In Millions)

Note 2. Liquidity and Availability

Financial assets available for general expenditure within one year of the consolidated statement of financial position date are composed of the following at December 31:

	2023	2022
Cash and cash equivalents	$ 80	$ 64
Accounts receivable	1,976	1,842
Promises to give	325	319
Grants receivable	173	145
Other receivables	289	295
Investments	12,750	10,495
Total financial assets available within one year	$ 15,593	$ 13,160

As part of a liquidity management plan, the Clinic has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. Cash in excess of daily requirements is invested in short-term investments. In the event of an unanticipated liquidity need, the Clinic has $300 of available lines of credit for working capital (see Note 9 - Financing).

The Clinic's endowment funds consist of donor-restricted endowments and funds designated by the board as endowment. Income from endowments is restricted for specific purposes. As described in Note 13 - Endowment, under the Clinic spending policy, $303 from the endowments was available as of January 1, 2024 and $280 from the endowments was available at January 1, 2023.

Note 3. Medical Service Revenue

Medical service revenue is reported at the amount that reflects the consideration to which the Clinic expects to be entitled in exchange for providing patient care. These amounts, representing transaction price, are due from patients, third-party payors (including health insurers and government programs), and others and include 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 *Revenue from Contracts with Customers (Topic 606-10-50-14(a))* and, therefore, is not required to disclose the aggregate amount of the

Note 3. Medical Service Revenue (Continued)

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.

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 years ended December 31, 2023 and 2022, revenue recognized due to changes in its estimates of transaction price concessions for performance obligations satisfied in prior years was $12 and $14, respectively. Subsequent changes that are determined to be the result of an adverse change in the patient's ability to pay are recorded as bad debt expense. Bad debt expense for the years ended December 31, 2023 and 2022, was not significant.

Note 3. Medical Service Revenue (Continued)

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 for the years ended December 31, 2023 and 2022 were not significant. Receivables from third-party payors for final settlements was $64 and $60 for December 31, 2023 and 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.

Notes to Consolidated Financial Statements (In Millions)

Note 3. Medical Service Revenue (Continued)

The composition of medical service revenue based on the regions of the country in which the Clinic operates, its lines of business, and timing of revenue recognition for the years ended December 31, 2023 and 2022, are as follows:

	Year Ended December 31, 2023			
	Midwest	Southeast	Southwest	Total
Hospital	$ 5,583	$ 1,271	$ 1,566	$ 8,420
Clinic	3,645	957	1,020	5,622
Senior Care and Nursing Home	15	—		15
Other	94	2	—	96
Total patient care service revenue	9,337	2,230	2,586	14,153
External lab	924	—	—	924
Total medical service revenue	$ 10,261	$ 2,230	$ 2,586	$ 15,077
Timing of revenue and recognition:				
At time services are rendered	$ 4,663	$ 959	$ 1,020	$ 6,642
Services transferred over time	5,598	1,271	1,566	8,435
Total	$ 10,261	$ 2,230	$ 2,586	$ 15,077

	Year Ended December 31, 2022			
	Midwest	Southeast	Southwest	Total
Hospital	$ 5,210	$ 1,089	$ 1,294	$ 7,593
Clinic	3,404	844	961	5,209
Senior Care and Nursing Home	15	—	—	15
Other	62	1	—	63
Total patient care service revenue	8,691	1,934	2,255	12,880
External lab	901	—	—	901
Total medical service revenue	$ 9,592	$ 1,934	$ 2,255	$ 13,781
Timing of revenue and recognition:				
At time services are rendered	$ 4,367	845	961	$ 6,173
Services transferred over time	5,225	1,089	1,294	7,608
Total	$ 9,592	$ 1,934	$ 2,255	$ 13,781

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 mainly 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 in the amount of $1,130 and $1,024 for the years ended December 31, 2023 and 2022, respectively. Examples of revenue at the time services are rendered include clinical services, lab and transport, and services transferred over time include hospital and senior care revenue.

Notes to Consolidated Financial Statements (In Millions)

Note 3. Medical Service Revenue (Continued)

The composition of medical service revenue by payor for the years ended December 31 is as follows:

	2023	2022
Medicare	$ 4,029	$ 3,634
Medicaid	561	565
Contract	8,853	7,916
Other, including self-pay	1,634	1,666
Total	$ 15,077	$ 13,781

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 4. 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 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 instruments categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The Clinic's policy is to recognize transfers in and transfers out as of the actual date of the event or change in circumstances that caused the transfer. There were no significant transfers or activity within Levels for the years ended December 31, 2023 and 2022.

Notes to Consolidated Financial Statements (In Millions)

Note 4. Fair Value Measurements (Continued)

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

	December 31, 2023				
	Level 1	Level 2	Level 3	NAV	Total Fair Value
Assets:					
Securities lending collateral	$ 10	$ —	$ —	$ —	$ 10
Investments:					
Cash and cash equivalents	$ 1,137	$ 66	$ —	$ —	$ 1,203
Fixed-income securities:					
U.S. government	$ —	$ 1,969	$ —	$ —	$ 1,969
U.S. government agencies	$ —	$ 840	$ —	$ —	$ 840
U.S. corporate	$ —	$ 918	$ —	$ —	$ 918
Foreign	$ —	$ 51	$ —	$ —	$ 51
Common and preferred stocks:					
U.S.	$ 1,391	$ —	$ —	$ —	$ 1,391
Foreign	$ 858	$ —	$ 20	$ —	$ 878
Funds:					
Fixed income	$ 398	$ —	$ —	$ —	$ 398
Equities	$ 1,107	$ 716	$ —	$ —	$ 1,823
Less securities under lending agreement	$ (86)	$ —	$ —	$ —	$ (86)
Investments at NAV	$ —	$ —	$ —	$ 9,363	$ 9,363
Total investments	$ 4,805	$ 4,560	$ 20	$ 9,363	$ 18,748
Investments under securities lending agreement	$ 86	$ —	$ —	$ —	$ 86
Other long-term assets:					
Trust receivables	$ 69	$ 29	$ 120	$ —	$ 218
Technology-based ventures	$ —	$ —	$ 268	$ —	$ 268
Total other long-term assets	$ 69	$ 29	$ 388	$ —	$ 486
Total assets at fair value	$ 4,970	$ 4,589	$ 408	$ 9,363	$ 19,330
Liabilities:					
Securities lending payable	$ 10	$ —	$ —	$ —	$ 10
Total liabilities at fair value	$ 10	$ —	$ —	$ —	$ 10

Notes to Consolidated Financial Statements (In Millions)

Note 4. 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

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 and liabilities. Inputs are obtained from various sources, including market participants, dealers, and brokers. Level 3 primarily consists of trusts recorded at fair value based on the underlying value of the assets in the trust or discounted cash flow of the expected payment streams.

Notes to Consolidated Financial Statements (In Millions)

Note 4. Fair Value Measurements (Continued)

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

At December 31, 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)	$ 4,254	$ 388	Monthly to annually	30–90 days
Private partnerships (b)	5,109	2,043		
Total alternative investments	$ 9,363	$ 2,431		

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	$ 8,719	$ 1,938		

(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.

Note 4. Fair Value Measurements (Continued)

(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.

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. During the years ended December 31, 2023 and 2022, the realized and unrealized loss from derivative contracts was not significant.

The Clinic uses various external investment managers to diversify the investments. The largest allocation to any investment strategy manager as of December 31, 2023 and 2022 was $881 (6.3 percent) and $801 (6.3 percent), respectively.

The Clinic is required to maintain funds held by trustees under bond indentures and other arrangements. The trustee-held investments, which primarily consist of mutual funds, were $1,142 and $976, respectively, at December 31, 2023 and 2022, which includes segregated investments for deferred compensation plans of $1,129 and $929 at December 31, 2023 and 2022, respectively.

At December 31, 2023 and 2022, cash and mutual funds included segregated investments owned by Mayo Foundation for Medical Education and Research, a wholly owned subsidiary of the Clinic, for gift annuity reserves of $116 and $101, respectively.

The Clinic had internally designated investment balances of $3,181 and $2,978 at December 31, 2023 and 2022, respectively, for research, education, and capital replacement and expansion.

Notes to Consolidated Financial Statements (In Millions)

Note 5. Investments in Unconsolidated Entities

The Clinic holds certain investments in unconsolidated entities accounted for in accordance with FASB Subtopic 323, *Investments - Equity Method and Joint Ventures*. The investments are presented as other long-term assets in the consolidated statements of financial position. The Clinic's interest in the investment income is reflected in the accompanying consolidated statements of operations.

The following table presents investments in unconsolidated entities:

	Ownership Percentage as of December 31, 2023	Carrying Value as of December 31, 2023	Carrying Value as of December 31, 2022
Sheikh Shakhbout Medical City	25%	$ 157	$ 155
Other investees	Various	$ 7	$ 59

The Clinic entered into a joint venture agreement with Abu Dhabi Health Services Company PJSC (SEHA) to operate Sheikh Shakhbout Medical City (SSMC), a 741-bed hospital in the United Arab Emirates in November 2019. In addition to the joint venture agreement, the Clinic entered into a hospital expertise agreement, brand license agreement, and research contribution agreement with SSMC. The joint venture had an initial commitment period of twenty years which would have been extended by ten years if neither party terminated at the conclusion of the initial commitment period. The Clinic had a $150 conditional pledge from Sheikh Shakhbout Medical City at December 31, 2023 and 2022. SEHA has agreed to acquire the Clinic's interest in SSMC with the transaction successfully closing in the first quarter of 2024. As part of this transaction, the parties also terminated the joint venture and related agreements.

The summarized financial position and results of operations for significant entities accounted for under the equity method as of and for the years ended consisted of the following:

	2023	2022
As of December 31		
Total assets	$ 842	$ 920
Total liabilities	$ 236	$ 222
Partners equity/net assets	$ 842	$ 698
Year Ended December 31		
Total revenue	$ 586	$ 524
Gain (loss) from current activities	$ 4	$ (64)

Note 6. 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 consolidated statements of financial position.

Notes to Consolidated Financial Statements (In Millions)

Note 6. Securities Lending (Continued)

At December 31, 2023 and 2022, the aggregate market value of securities on loan under securities lending agreements totaled $86 and $68, respectively, and the total value of the collateral supporting the securities was $90 and $70, respectively, which represents 104% and 103% of the value of the securities on loan at December 31, 2023 and 2022. The cash portion of the collateral supporting the securities as of December 31, 2023 and 2022 was $10 and $3, respectively. The cash portion is presented in other current assets and other current liabilities in the consolidated statements of financial position. Noncash collateral provided to the Clinic is not recorded in the 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.

Note 7. Property, Plant, and Equipment, Net

Property, plant, and equipment, net, at December 31 consisted of the following:

	2023	2022
Land	$ 589	$ 580
Buildings and improvements	7,663	7,322
Furniture and equipment	4,693	4,633
	12,945	12,535
Accumulated depreciation and amortization	(7,618)	(7,414)
	5,327	5,121
Construction in progress	1,104	766
Total property, plant, and equipment	$ 6,431	$ 5,887

The above costs and accumulated depreciation include costs for capitalized software, including costs capitalized in accordance with *Intangibles—Goodwill and Other, Internal-Use Software (Topic 350)* of the FASB ASC. The total cost for capitalized software was $771 and $893 at December 31, 2023 and 2022, respectively. The total accumulated amortization was $582 and $647 at December 31, 2023 and 2022, respectively. Amortization expense for capitalized software was $67 and $74 for 2023 and 2022, respectively.

Note 8. Income Taxes

Most of the income received by the Clinic and its subsidiaries is exempt from taxation under Section 501(a) of the Internal Revenue Code. Some of its subsidiaries are taxable entities, and some of the income received by otherwise exempt entities is subject to taxation as unrelated business income. The Clinic and its subsidiaries file income tax returns in the U.S., including federal and various state returns, as well as certain foreign jurisdictions. The statutes of limitations for tax years 2020 through 2022 remain open in major U.S. taxing jurisdictions in which the Clinic and subsidiaries are subject to taxation.

The Internal Revenue Service (IRS) performed an examination of the tax and information returns of the Clinic and two subsidiaries and ultimately assessed $12 in taxes for years 2003-2012. The results of this audit were litigated in the U.S. District Court. On August 6, 2019, the Court issued a summary judgment in favor of the Clinic. The IRS appealed this decision and on May 13, 2021, the Eighth Circuit Court of Appeals reversed the summary judgment and remanded the case to the U.S. District Court for trial. The case was tried in 2022 and the U.S. District Court issued a judgment in favor of the Clinic on December 9, 2022. The IRS disagreed with this ruling and filed an appeal with the Eighth Circuit Court of Appeals on September 1, 2023. A Request for Oral Argument was filed with the Court, but no date for the hearing has

Notes to Consolidated Financial Statements (In Millions)

Note 8. Income Taxes (Continued)

been assigned. No adjustment has been made to unrecognized tax benefits as the issue has not been definitively resolved at this time.

The Clinic has reduced the reserve for uncertain tax positions by $2, including interest and penalties, during the year ended December 31, 2023. As of December 31, 2023 and 2022, the reserve totaled $9 and $11, respectively. It is not anticipated that a significant change in the reserve will occur over the next 12 months.

The Clinic's practice is to recognize interest and/or penalties related to income tax matters in income tax expense. The components of tax expense are as follows:

	Year ended December 31	
	2023	2022
Current—federal	$ 28	$ 23
Current—state	7	6
	35	29
Deferred—U.S. domestic	6	(6)
Total	$ 41	$ 23

Cash payments for income taxes were $62 and $33 for the years ended December 31, 2023 and 2022, respectively.

The Clinic records deferred income taxes due to temporary differences between financial reporting and tax reporting for certain assets and liabilities of its taxable activities. The following is a summary of the components of deferred taxes as of December 31:

	2023	2022
Deferred compensation	$ 9	$ 9
Pension	—	—
Postretirement benefits	1	2
Net operating loss	2	6
Other	4	6
Total deferred tax asset	16	23
Deferred tax liability	(2)	(2)
Valuation allowance	(10)	(10)
Net deferred tax asset	$ 4	$ 11

The Clinic had federal net operating losses of $11 and $20 at December 31, 2023 and 2022, respectively.

The Tax Cuts and Jobs Act (TCJA), enacted on December 22, 2017 repealed Net Operating Loss (NOL) carrybacks while permitting indefinite carryforwards. The Coronavirus Aid, Relief and Economic Security Act enacted on March 27, 2020 temporarily suspended TCJA repeal of NOL carrybacks allowing for NOLs arising in tax years beginning after December 31, 2017 and before January 1, 2021 to be carried back to the five taxable years preceding the taxable year of such loss. During 2023 the Clinic was able to utilize

Note 8. Income Taxes (Continued)

$9 of the NOLs arising in tax years beginning after December 31, 2018 and before January 1, 2022. Of the remaining NOLS, $11 will be carried forward.

Notes to Consolidated Financial Statements (In Millions)

Note 9. Financing

Long-term debt at December 31 consisted of the following:

		2023	2022
City of Rochester, Minnesota Revenue Bonds issued in various series, subject to variable interest rates to a maximum rate of 15.00% (the average rate was 3.47% in 2023 and 1.27% in 2022), principal due in varying amounts from 2028 through 2052	Variable	$ 545	$ 545
City of Rochester, Minnesota Revenue Bonds originally issued at variable interest rate, converted in 2017 to fixed interest rate of 2.20% based on a provision to increase the rate if the federal tax rate is decreased, the rate has been adjusted to 2.67% effective January 1, 2018 through 2027, principal due in varying amounts from 2022 through 2032	Fixed	127	163
City of Rochester, Minnesota Revenue Bonds originally issued with fixed interest rate of 4.74%, converted in 2020 to fixed interest rate of 1.54% until 2030, principal due in varying amounts from 2033 through 2038	Fixed	130	130
City of Rochester, Minnesota Revenue Bonds issued in various series with fixed rate of interest of 4.00%, principal due in varying amounts from 2044 through 2048	Fixed	200	200
City of Rochester, Minnesota Health Care Facilities Revenue Refunding Bonds, series 2016B, issued with fixed interest rate of 5.00%, an effective rate of 2.97% in 2023 and 2022 after amortization of premium, principal due in varying amounts from 2029 through 2036 (unamortized premium of $42 in 2023 and $46 in 2022)	Fixed	220	220
City of Rochester, Minnesota Health Care Facilities Revenue Bonds, series 2022, issued in various series with fixed interest rates ranging from 3.25% to 5.00%, an effective rate of 3.74% in 2023 and 2022 after amortization of premium principal due in varying amounts from 2039 through 2057 (unamortized net premium of $16 in 2023 and 2022)	Fixed	289	289
Industrial Development Authority of the City of Phoenix, Arizona issued in various series, subject to variable interest rates to a maximum rate of 10.00% (the average rate was 3.51% in 2023 and 0.96% in 2022), principal due in varying amounts from 2048 through 2052	Variable	180	180
City of Jacksonville, Florida Health Care Facilities Revenue Refunding Bonds, series 2016, issued in various series, subject to variable interest rates to a maximum rate of 10.00% (the average rate was 3.55% in 2023 and 1.32% in 2022), principal due in varying amounts from 2033 through 2047	Variable	125	125
Mayo Clinic Taxable Bonds issued with fixed interest rates ranging from 3.20% to 4.13%, principal due in varying amounts from 2039 through 2061	Fixed	1,450	1,450
Fixed-rate notes and bonds, payable to financial companies, interest rates at 1.80% to 4.71%, principal due in varying amounts from 2025 through 2062	Fixed	1,115	1,115
The Industrial Development Authority of the City of Phoenix, Arizona Health Care Facilities Revenue Bonds, series 2022, issued in various series with fixed interest rates ranging from 3.75% to 4.00%, an effective rate of 3.80% in 2023 and 2022 after amortization of premium, principal due in varying amounts from 2053 to 2057 (unamortized net premium of $3 in 2023 and 2022)	Fixed	298	298
Other notes payable		11	12
Unamortized discounts and premiums, net		61	66
Debt issuance cost		(15)	(16)
		4,736	4,777
Long-term variable-rate debt classified as current		(620)	(620)
Current maturities included in other current liabilities		(18)	(36)
Long-term debt, net of current portion		$ 4,098	$ 4,121

Notes to Consolidated Financial Statements (In Millions)

Note 9. Financing (Continued)

The Clinic's outstanding revenue bond issues are limited obligations of various issuing authorities payable solely by the Clinic pursuant to loan agreements between the borrowing entities and the issuing authorities. Under various financing agreements, the Clinic must meet certain operating and financial performance covenants.

At December 31, 2023, the $850 of variable-rate bonds consisted of variable-rate demand revenue bonds. In conjunction with the issuance of the variable-rate demand revenue bonds, the Clinic has entered into various bank standby purchase and credit agreements in the amount of $230 which will expire in January 2025. Under the terms of these agreements, the bank will make liquidity loans to the Clinic in the amount necessary to purchase a portion of the variable-rate demand revenue bonds if not remarketed. The liquidity loans would be payable over a three- to five-year period, with the first payment due after December 31, 2024. The Clinic has provided self-liquidity for the remaining $620 of variable-rate demand revenue bonds, which have been classified as current in the accompanying consolidated statements of financial position.

The $220 fixed-rate revenue bonds Series 2016B are not callable. The remaining fixed-rate interest revenue bonds are callable from 2024 to 2058 at the option of the Clinic, at a redemption price of 100 percent of the principal amount or at a price based on U.S. Treasury rates at the time of redemption.

On April 12, 2022 the Clinic issued fixed rate bonds in the amount of $587 ($200 refunding and $387 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 2058. The funds will be used for general corporate purposes.

The following are scheduled maturities of long-term debt for each of the next five years, assuming the variable-rate demand revenue bonds are remarketed and the standby purchase agreements are renewed. As described above, if such bonds are not remarketed, $620 may be due in 2024 and $230 may be due in years from 2025 to 2029.

Years ending December 31:		
2024	$	18
2025		105
2026		5
2027		105
2028		45

Interest payments on long-term debt, net of amounts capitalized for 2023 and 2022, totaled $154 and $132, respectively. The amount of interest capitalized, net of related interest income, was $12 and $8 during 2023 and 2022. Interest expense totaled $157 and $144 for 2023 and 2022, respectively.

At December 31, 2023 and 2022, the Clinic had unsecured lines of credit available with banks that totaled $530, with varying renewable terms and interest up to 2.50 percent over various published rates. There were no amounts drawn during the years ended December 31, 2023 and 2022.

Notes to Consolidated Financial Statements (In Millions)

Note 10. Leases

At December 31, 2023 and 2022, the Clinic had operating and finance leases for facilities and certain equipment with lease terms ranging from 1 to 20 years, with some options to extend up to five years or terminate within one year.

Total lease expense for the years ended December 31 consisted of the following:

	2023	2022
Operating lease expense	$ 30	$ 34
Finance lease expense:		
Amortization of right-of-use assets	$ 6	$ 6
Interest on lease liabilities	1	1
Total finance lease expense	$ 7	$ 7
Short-term lease expense	$ 48	$ 28

Consolidated supplemental cash flow information related to leases as of December 31 consisted of the following:

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for operating leases	$ 57	$ 60
Operating cash flows for finance leases	$ 1	$ 1
Financing cash flows for finance leases	$ 7	$ 7
Right-of-use assets obtained in exchange for lease obligations:		
Operating leases	$ 25	$ 18
Finance leases	$ 24	$ 4

Consolidated supplemental statement of financial position information related to leases as of the years ended December 31 consisted of the following:

	2023	2022
Operating leases:		
Right-of-use assets	$ 122	$ 141
Other current liabilities	$ 22	$ 23
Other long-term liabilities	127	123
Total operating lease liabilities	$ 149	$ 146

Notes to Consolidated Financial Statements (In Millions)

Note 10. Leases (Continued)

	2023	2022
Finance leases:		
Property, plant, and equipment, gross	$ 76	$ 57
Accumulated depreciation	38	36
Property, plant, and equipment, net	$ 38	$ 21
Other current liabilities	$ 9	$ 6
Other long-term liabilities	27	—
Total finance lease liabilities	$ 36	$ 6
Weighted average remaining lease years:		
Operating leases	8.94	9.22
Finance leases	5.39	4.14
Weighted average discount rate:		
Operating leases	3.44 %	3.35 %
Finance leases	3.38 %	2.98 %

Maturities of lease liabilities for the next five years and thereafter consist of the following:

	Operating	Finance
2024	$ 30	$ 10
2025	23	7
2026	21	6
2027	19	5
2028	17	5
Thereafter	68	6
Minimum lease payments	178	39
Less amount representing interest	29	3
Net minimum lease payments	$ 149	$ 36

Notes to Consolidated Financial Statements (In Millions)

Note 11. Board-Designated Funds

Board-designated funds are subject to expenditure for the following purposes for the years ended December 31:

	2023	2022
Research	$ 1,581	$ 1,498
Education	327	312
Buildings and equipment	3	3
Charity care	13	12
Clinical	164	162
Other	1,093	991
Total designation for specified purpose	$ 3,181	$ 2,978

At December 31, board designated funds were classified as follows:

	2023	2022
Quasi-endowments	$ 2,967	$ 2,830
Professional liability reserve	185	119
Other	$ 29	$ 29
Total	$ 3,181	$ 2,978

Notes to Consolidated Financial Statements (In Millions)

Note 12. 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 at December 31:

	2023	2022
Subject to expenditure for specified purposes:		
Research	$ 686	$ 582
Education	59	59
Buildings and equipment	180	245
Charity care	32	30
Clinical	89	74
Other	38	30
Total expenditure for specified purposes	1,084	1,020
Subject to passage of time:		
Pledges and trusts	682	642
Endowments:		
Perpetual in nature:		
Research	1,263	1,233
Education	355	304
Charity care	14	14
Clinical	224	222
Other	50	31
Pledges and trusts	269	270
Total perpetual in nature	2,175	2,074
Subject to endowment spending policy:		
Research	824	745
Education	370	342
Charity care	52	48
Clinical	166	152
Other	43	40
Total subject to endowment spending policy	1,455	1,327
Total endowments	3,630	3,401
Total net assets with donor restrictions	$ 5,396	$ 5,063

Notes to Consolidated Financial Statements (In Millions)

Note 12. 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 years ended December 31:

	2023	2022
Research	$ 200	$ 180
Education	30	25
Buildings and equipment	181	36
Other	31	96
Total net assets released from donor restrictions	$ 442	$ 337

Note 13. Endowment

The Clinic's endowment consists of approximately 2,400 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (quasi-endowments). Net assets associated with endowment funds, including quasi endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The Board of Trustees retains the right to re-designate quasi endowments for other purposes.

The Board of Trustees of the Clinic has interpreted the Minnesota State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the Clinic retains in perpetuity: (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with SPMIFA, the Clinic considers the following factors in making a determination to appropriate or accumulate donor-restricted funds:

1. The duration and preservation of the fund
2. The purposes of the Clinic and the donor-restricted endowment fund
3. General economic conditions
4. The possible effects of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the Clinic
7. The investment policies of the Clinic

The Clinic has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the Clinic must hold in perpetuity or for a donor-specified period(s), as well as quasi-endowments. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least five percent over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the Clinic relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The Clinic targets a diversified asset allocation that places a greater

Notes to Consolidated Financial Statements (In Millions)

Note 13. Endowment (Continued)

emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

The Clinic has a policy of appropriating for distribution each year five percent of its endowment fund's moving average fair value over the prior 36 months as of September 30 of the preceding year in which the distribution is planned. In establishing this policy, the Clinic considered the long-term expected return on its endowment. Accordingly, over the long term, the Clinic expects the current spending policy to allow its endowment to grow at an average of the long-term rate of inflation. This is consistent with the Clinic's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specific term, as well as to provide additional real growth through new gifts and investment return.

At December 31, 2023, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ —	$ 3,630	$ 3,630
Quasi-endowments	2,967	—	2,967
Total funds	$ 2,967	$ 3,630	$ 6,597

Changes in endowment net assets for the year ended December 31, 2023, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 2,830	$ 3,401	$ 6,231
Investment return:			
Investment income	39	44	83
Net appreciation (realized and unrealized)	204	225	429
Total investment return	243	269	512
Contributions	—	102	102
Appropriation of endowment assets for expenditure	(167)	(142)	(309)
Other changes:			
Transfers to create quasi-endowments	61	—	61
Endowment net assets, end of year	$ 2,967	$ 3,630	$ 6,597

Notes to Consolidated Financial Statements (In Millions)

Note 13. Endowment (Continued)

At December 31, 2022, the endowment net asset composition by type of fund consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted funds	$ —	$ 3,401	$ 3,401
Quasi-endowments	2,830	—	2,830
Total funds	$ 2,830	$ 3,401	$ 6,231

Changes in endowment net assets for the year ended December 31, 2022, consisted of the following:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 3,218	$ 3,722	$ 6,940
Investment return:			
Investment income	32	34	66
Net depreciation (realized and unrealized)	(330)	(356)	(686)
Total investment return	(298)	(322)	(620)
Contributions	—	128	128
Appropriation of endowment assets for expenditure	(146)	(127)	(273)
Other changes:			
Transfers to create quasi endowments	56	—	56
Endowment net assets, end of year	$ 2,830	$ 3,401	$ 6,231

Note 14. Promises to Give

At December 31, outstanding pledges from various corporations, foundations, and individuals, included in other receivables and other long-term assets, were as follows:

	2023	2022
Pledges due:		
In less than one year	$ 325	$ 319
In one to five years	311	367
In more than five years	65	64
	701	750
Allowance for uncollectible pledges and discounts	(30)	(38)
Total	$ 671	$ 712

Notes to Consolidated Financial Statements (In Millions)

Note 14. Promises to Give (Continued)

Estimated cash flows from pledge receivables due after one year are discounted using a risk-adjusted rate, ranging from 1 percent to 6 percent, that is commensurate with the pledges due dates and established in the year the pledge is received.

The Clinic has received interests in various trusts, primarily split-interest, which are included in other long-term assets. The trusts are recorded at fair value, based on the underlying value of the assets in the trust or discounted cash flow using a risk-adjusted discount rate of 5.77 percent and 3.12 percent at December 31, 2023 and 2022, respectively. During the years ended December 31, 2023 and 2022, there were no contributions recorded related to the split-interest trusts. The balance of the expected payment streams was $218 and $204 at December 31, 2023 and 2022, respectively.

Note 15. Functional Expenses

The 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 consolidated statements of activities for the years ended December 31, 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	$ 7,982	$ 190	$ 728	$ 392	$ 290	$ 28	$ 57	$ 9,667
Supplies and services	4,231	1,132	299	94	46	12	136	5,950
Depreciation and amortization	552	8	69	13	16	1	4	663
Facilities	311	6	20	14	34	1	2	388
Finance and investment	168	10	20	2	2	—	(10)	192
Total	$ 13,244	$ 1,346	$ 1,136	$ 515	$ 388	$ 42	$ 189	$ 16,860

	2022							
	Patient care	Lab and technology ventures	Research	Graduate and other education	General and administrative	Development expenses	Other activities	Total expenses
Salaries and benefits	$ 7,664	$ 197	$ 690	$ 343	$ 210	$ 19	$ 47	$ 9,170
Supplies and services	3,789	1,073	280	72	62	11	90	5,377
Depreciation and amortization	512	8	69	10	22	1	2	624
Facilities	268	5	18	12	44	1	2	350
Finance and investment	152	9	18	2	2	—	(9)	174
Total	$ 12,385	$ 1,292	$ 1,075	$ 439	$ 340	$ 32	$ 132	$ 15,695

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs

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

Included in other changes in unrestricted net assets at December 31, 2023 and 2022, are the following amounts, respectively, that have not yet been recognized in net periodic cost: unrecognized actuarial losses of $620 and $137 and unrecognized prior service benefit of $102 and $63. Actuarial losses are amortized as a component of net periodic pension cost, only if the losses exceed ten percent of the greater of the projected benefit obligation or the fair value of plan assets. Unrecognized prior service benefits are amortized on a straight-line basis over the estimated life of plan participants.

Changes in plan assets and benefit obligations recognized in unrestricted net assets during 2023 and 2022 included the following:

	2023	2022
Current-year actuarial (loss) gain	$ (482)	$ 2,659
Amortization of actuarial loss	(1)	246
Current-year prior service cost	(116)	—
Amortization of prior service credit	(49)	(46)
Pension and other postretirement benefit adjustments	$ (648)	$ 2,859

Pension plans:

Obligations and funded status: The following is a summary of the changes in the benefit obligation and plan assets, the resulting funded status of the qualified and nonqualified pension plans, and accumulated benefit obligation as of and for the years ended December 31:

	2023	2022
Change in projected benefit obligation:		
Benefit obligation, beginning of year	$ 7,809	$ 12,194
Service cost	383	690
Interest cost	436	370
Actuarial loss (gain)	572	(4,381)
Benefits paid	(424)	(1,058)
Plan amendments	113	—
Settlements	—	(6)
Estimated benefit obligation at end of year	$ 8,889	$ 7,809
Change in plan assets:		
Fair value of plan assets, beginning of year	$ 9,965	$ 11,903
Actual return on plan assets	878	(1,188)
Employer contributions	283	314
Benefits paid	(424)	(1,058)
Settlements	—	(6)
Fair value of plan assets at end of year	$ 10,702	$ 9,965

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

	2023	2022
Funded status of the plans	$ 1,813	$ 2,156
Accumulated benefit obligation	$ (8,094)	$ (7,361)

Amounts recognized in the consolidated statements of financial position consist of the following at December 31:

	2023	2022
Noncurrent assets	$ 1,814	$ 2,164
Noncurrent liabilities	$ (1)	$ (8)
Net amount recognized	$ 1,813	$ 2,156

Components of net periodic benefit cost are as follows for the years ended December 31:

	2023	2022
Service cost	$ 383	$ 690
Interest cost	436	370
Expected return on plan assets	(778)	(781)
Amortization of unrecognized:		
Prior service benefit	(50)	(50)
Net actuarial loss	—	226
Settlement	—	2
Net periodic benefit cost	$ (9)	$ 457

Plan assets: The largest of the pension funds is the Mayo Clinic Master Retirement Trust Plan, which holds $10,574 of the $10,702 in combined plan assets at December 31, 2023, and $9,864 of the $9,965 in combined plan assets at December 31, 2022. The investment policies described below apply to the Mayo Clinic Master Retirement Trust Plan (the Plan).

The Plan employs a global, multi-asset approach in managing its retirement plan assets. This approach is designed to maximize risk-adjusted returns over a long-term investment horizon, consistent with the nature of the pension liabilities being funded. The plan asset portfolio's target allocation for total return investment strategies, which include public equities, private equities, absolute return, and real assets, is 82.5 percent. The portfolio's target fixed-income exposure is 17.5 percent. The fixed-income exposure may include the use of long-term interest rate swap contracts structured to increase the portfolio's interest rate sensitivity and thereby provide a hedge of the plan liabilities resulting from falling long-term interest rates. Investments in private equities, real assets, and absolute return strategies are held to improve diversification and thereby enhance long-term, risk-adjusted returns. However, recognizing that these investments are not as liquid as publicly traded stocks and bonds, portfolio investment policies limit overall exposure to these assets. The portfolio's allocation to private equities and real assets is limited to a maximum of 35 percent (with a target allocation of 25 percent), and exposure to absolute return strategies is limited to a maximum of 30 percent (with a target of 25 percent). The Clinic reviews performance, asset allocation, and risk management reports for plan asset portfolios on a monthly basis.

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

The fair values of the Plan's assets at December 31, 2023, by asset category, are as follows:

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and cash equivalents	$ 208	$ 23	$ —	$ —	$ 231
Fixed income securities:					
U.S. government	—	110	—	—	110
U.S. government agencies	—	175	—	—	175
U.S. corporate	—	338	—	—	338
Foreign	—	28	—	—	28
Common and preferred stocks:					
U.S.	979	—	—	—	979
Foreign	595	—	—	—	595
Funds:					
Fixed income	127	—	—	—	127
Equities	94	673	—	—	767
Foreign	54	—	—	—	54
Investments at NAV	—	—	—	7,170	7,170
Total investments	$ 2,057	$ 1,347	$ —	$ 7,170	$ 10,574

The fair values of the Plan's assets at December 31, 2022, by asset category, are as follows:

Assets	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	NAV	Total
Cash and cash equivalents	$ 162	$ 4	$ —	$ —	$ 166
Fixed income securities:					
U.S. government	—	95	—	—	95
U.S. government agencies	—	155	—	—	155
U.S. corporate	—	316	—	—	316
Foreign	—	36	—	—	36
Common and preferred stocks:					
U.S.	777	—	—	—	777
Foreign	479	—	—	—	479
Funds:					
Fixed income	61	—	—	—	61
Equities	34	637	—	—	671
Foreign	47	1	—	—	48
Investments at NAV	—	—	—	7,060	7,060
Total investments	$ 1,560	$ 1,244	$ —	$ 7,060	$ 9,864

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

The following is a description of the Plan'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 or liabilities. Inputs are obtained from various sources, including market participants, dealers, and brokers.

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 in 2023 or 2022.

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

At December 31, 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)	$ 3,693	$ 270	Monthly to annually	30–90 days
Private partnerships (b)	3,477	1,453		
	$ 7,170	$ 1,723		

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)	$ 3,493	$ 116	Monthly to annually	30–90 days
Private partnerships (b)	3,567	1,369		
	$ 7,060	$ 1,485		

(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,

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

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 Plan's ownership interest in partners' capital. These investments cannot be redeemed with the funds. 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.

No plan assets are expected to be returned to the employer during 2024.

Other postretirement benefits:

Obligations and funded status: A summary of the changes in the benefit obligation and plan assets and the resulting funded status of the other postretirement plans is as follows as of and for the years ended December 31:

	2023	2022
Change in projected benefit obligation:		
Benefit obligation at beginning of year	$ 867	$ 1,138
Service cost	4	7
Interest cost	48	34
Plan participants contributions	42	41
Amendments	2	—
Medicare subsidy	3	2
Actuarial loss (gain)	10	(255)
Benefits paid	(107)	(100)
Estimated benefit obligation at end of year	$ 869	$ 867
Change in plan assets:		
Fair value of plan assets at beginning of year	$ —	$ —
Employer contributions	65	59
Plan participants contributions	42	41
Benefits paid	(107)	(100)
Fair value of plan assets at end of year	$ —	$ —
Funded status of the plan	$ (869)	$ (867)

Amounts recognized in the consolidated statements of financial position for postretirement benefits consist of the following at December 31:

	2023	2022
Current liabilities	$ (57)	$ (56)
Noncurrent liabilities	(812)	(811)
Net amount recognized	$ (869)	$ (867)

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

Components of net periodic benefit cost for other postretirement benefits are as follows for the years ended December 31:

	2023	2022
Service cost	$ 4	$ 7
Interest cost	48	34
Amortization of:		
Unrecognized prior service benefit	1	4
Unrecognized net actuarial (gain) loss	(1)	20
Net periodic benefit cost for other postretirement benefits	$ 52	$ 65

The Clinic has concluded that the prescription drug benefits under its defined benefit postretirement plan are actuarially equivalent to Medicare Part D under the Medicare Modernization Act (the Act) and that the Clinic will receive the subsidy available under the Act.

The following reflects the expected future Medicare Part D subsidy receipts:

Years ending December 31:	
2024	$ 3
2025	3
2026	3
2027	3
2028	3
2029–2033	16

Plan trend rates are the annual rates of increase expected for the benefits payable from the plan; these rates include health care cost trends plus the leveraging effect of plan design. The assumed plan trend rate is 5.50 percent.

Pension and postretirement benefits:

Assumptions: Weighted average assumptions used to determine pension and postretirement benefit obligations at the measurement date are as follows:

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	5.43%	5.77%	5.42%	5.68%
Rate of compensation increase	3.67%	3.67%	—%	N/A

Notes to Consolidated Financial Statements (In Millions)

Note 16. Employee Benefit Programs (Continued)

Weighted-average assumptions used to determine net periodic pension and postretirement benefit cost are as follows:

	Pension Benefits		Postretirement Benefits	
	2023	2022	2023	2022
Discount rate	5.77%	3.12%	5.68%	3.04%
Expected long-term return on plan assets	7.50%	7.50%	N/A	N/A
Rate of compensation increase	3.70%	3.72%	N/A	N/A

The Clinic utilizes a building block approach in determining the expected long-term rate of return for its plan assets. First, historical data on individual asset class returns are studied. Next, the historical correlation among and between asset class returns is studied under both normal conditions and in times of market turbulence. Then, various mixes of asset classes are considered under multiple long-term investment scenarios. Finally, after considering liquidity concerns related to the use of certain alternative asset classes, the plan sponsor selects the portfolio blend that it believes will produce the highest expected long-term return on a risk-adjusted basis.

Cash flows:

Contributions: The Clinic expects to contribute $280 to its pension plans in 2024.

Estimated future benefit payments: The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefits	Postretirement Benefits
Years ending December 31:		
2024	$ 541	$ 59
2025	524	60
2026	534	61
2027	546	62
2028	558	63
2029–2033	2,962	320

In addition to the defined benefit plans, the Clinic sponsors various defined contribution benefit plans. Expense recognized by the Clinic for those plans was $142 and $131 for 2023 and 2022, respectively.

Note 17. General and Professional Liability Insurance

The Clinic insures substantially all general and professional liability risks through a combination of a wholly owned captive insurance company and self-insurance. The insurance program combines various levels of self-insured retention with excess commercial insurance coverage. Actuarial consultants have been retained to assist in the estimation of outstanding general and professional liability losses.

Notes to Consolidated Financial Statements (In Millions)

Note 17. General and Professional Liability Insurance (Continued)

The Clinic's general and professional liability as reported in the accompanying consolidated statements of financial position was $164 and $159 at December 31, 2023 and 2022, respectively. Provisions for the general and professional liability risks are based on an actuarial estimate of losses using the Clinic's actual loss data, adjusted for industry trends and current conditions, and considering an evaluation of claims by the Clinic's legal counsel. The provision includes estimates of ultimate costs for both reported claims and claims incurred but not reported.

Activity in the liability is summarized as follows for the years ended December 31:

	2023	2022
Balance, beginning of year	$ 159	$ 133
Incurred related to captive insurance company liability:		
Current year	35	30
Prior years	20	12
Total incurred	55	42
Paid related to captive insurance company liability:		
Current year	(6)	(1)
Prior years	(40)	(24)
Total paid	(46)	(25)
Net change in self-insurance liability	(4)	9
Balance, end of year	$ 164	$ 159

Note 18. Other Receivables, Other Current and Long-Term Assets, and Other Current and Long-Term Liabilities

At December 31, other receivables consisted of the following:

	2023	2022
Pledges receivable	$ 325	$ 319
Grants receivable	173	145
Pharmacy receivable	74	58
Rebates receivable	73	34
Interest receivable	40	28
Royalty receivable	11	25
Other tax receivable	5	7
Other	86	143
Total other receivables	$ 787	$ 759

Notes to Consolidated Financial Statements (In Millions)

Note 18. Other Receivables, Other Current and Long-Term Assets, and Other Current and Long-Term Liabilities (Continued)

At December 31, other current assets consisted of the following:

	2023	2022
Inventories	$ 234	$ 218
Prepaid expenses	148	166
Other	9	2
Total other current assets	$ 391	$ 386

At December 31, other long-term assets consisted of the following:

	2023	2022
Pension asset	$ 1,814	$ 2,164
Pledges receivable	346	393
Technology-based ventures	268	176
Oil and gas interests	259	199
Trust receivables	218	204
Investments in unconsolidated entities	164	214
Operating lease right-of-use asset	122	141
Prepaid maintenance	79	23
Notes receivable	69	29
Long-term portion of deferred tax asset	4	11
Other	85	77
Total other long-term assets	$ 3,428	$ 3,631

Notes to Consolidated Financial Statements (In Millions)

Note 18. Other Receivables, Other Current and Long-Term Assets, and Other Current and Long-Term Liabilities (Continued)

At December 31, other current liabilities consisted of the following:

	2023	2022
Other taxes	$ 92	$ 87
Oil and gas liability	51	15
Current portion of long-term disability	50	49
Current portion of professional and general liability	49	43
Short-term disability	34	30
Real estate tax accrual	28	28
Refunds/recoupments	23	24
Operating lease liability	22	23
Accrued interest	22	20
Current maturities of long-term debt	18	36
Medicare settlements liability	12	13
Current portion of workers' compensation liability	12	11
Finance lease liability	9	6
Other	69	85
Total other current liabilities	$ 491	$ 470

At December 31, other long-term liabilities consisted of the following:

	2023	2022
Deferred compensation	$ 1,129	$ 929
Long-term disability	246	224
Operating lease liability	127	123
Deferred gain	126	135
Professional and general liability	115	116
Electronic medical record	96	96
Retirement community obligations	92	96
Gift annuities	67	65
Financing obligations	60	60
Asset retirement obligation	48	55
Trust obligations	47	57
Workers' compensation liability	32	32
Finance lease liability	27	—
Contract deposit	25	22
Other	66	73
Total other long-term liabilities	$ 2,303	$ 2,083

Notes to Consolidated Financial Statements (In Millions)

Note 19. Other Revenue

For the years ended December 31, other revenue consisted of the following:

	2023	2022
Retail pharmacy sales	$ 530	$ 475
Royalties	120	130
Retail Stores	80	71
Oil and gas producing activities	75	156
Graduate medical and other education revenue	53	46
Technology commercialization, health information, and medical products	43	43
Cafeteria revenue	37	32
Other	262	274
Total other revenue	$ 1,200	$ 1,227

Note 20. 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 December 31, 2023 is $6,117 all of which is expected to be expended over the next three to five years. Included in this is the $5 billion initiative for the Rochester, Minnesota campus project which includes five new buildings, and technology and infrastructure investments.

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 consolidated financial position or consolidated statement of activities.